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FEBRUARY 1, 1999

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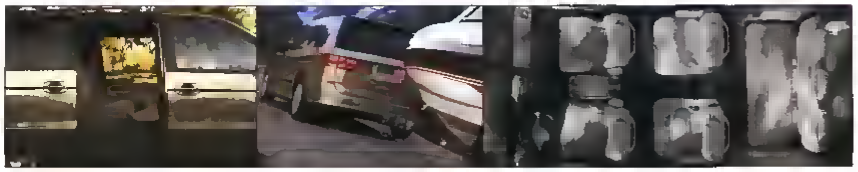
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INSIGERS Communications Entertainment

COVER

Best and worst mutual funds

38 Canada's four million mutual fund investors went on a wild ride in 1998, as Asia's financial storm rocked stock markets around the world. Most domestic equity funds lost money, but bond and several foreign equity funds did well in the third annual *Maclean's* ranking



PETER HEGGIE/MACLEAN'S

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16 Grabbing for gold

The Olympic bribery scandal widened and Montreal's Richard Pound tried to save the Games' battered reputation



JIM SIMMEN/REUTERS

22 Hitting a sour note

Last March, Ottawa Senators' star centre Alexei Yashin was hailed as a hero for donating $1 million to the National Arts Centre. But with his decision to pull the plug, the philanthropic fairy tale degenerated into a twisted saga

32 Arbour's quest

As NATO fumed over a Kosovo massacre, Yugoslavia blocked Canadian war crimes prosecutor Louise Arbour from investigating



ZIVKO GOCIC/REUTERS

From The Editor

At last, a deal on health care



The good news is that the provinces have agreed to Prime Minister Jean Chrétien's demand that any new health-care money in the Feb. 16 federal budget will actually be spent on health care. The bad news is that another of those federal-provincial meetings is at hand. More speeches, more scrums, more preening, more boasts, more denunciations—and all the rest of that stuff that has become the stock and trade of our leaders.

The fed-prov meeting will not happen without one more giant step: an agreement on terms of a so-called social union, the linchpin of which was a deal on medicare. The rest relates to how other social programs are run and funded. Chrétien has told intimates that he will not call a meeting unless it is guaranteed to succeed. The happy prospect is that the day may come when Canadians have more freedom to move from one province to the other in search of work, education and security. You need only reflect on the great mobility of our neighbours to the south to understand how reducing barriers between regions can make for a stronger nation.



TODD KOROL FOR MACLEAN'S

Calgary emergency: Ottawa will spend

The Prime Minister has two important elements on his side. With the budget looming, and the federal treasury awash in cash, the provinces know that this is the time to make a deal. After Feb. 16, it will be too late. As well, the premiers must surely know that the people of Canada are sick and tired of their endless squabbling and posturing.

Now, it must be said that Ottawa created this crisis in the first place when it yanked $6 billion out of transfers to the provinces in 1995. In turn, the knife fell on provincially run health care. Hospitals cut staff, institutions closed and care suffered. In Ontario, a critical shortage of radiologists caused about half of the 24,000 cancer patients to wait up to 14 weeks for treatment. The province now has to send people to the United States for radiation treatment. Imagine, the citizens of booming Toronto have to go to Buffalo for medical care. No wonder the premier of Ontario is anxious to make a new deal for more money on health care.

Quebec is not expected to sign on to a social union deal. That is now the Quebec way. But Premier Lucien Bouchard faces the same kind of pressure from his citizens to restore health-care service as the other premiers do. Not surprisingly, he signed the agreement on health care.

One unfortunate sidelight to the fed-prov rows is the lack of priority for home care. The provinces have rejected the idea of a new federal program. Yet with patients being kicked out of hospitals with such alacrity these days, the burden for much critical care is falling on families, often on the woman of the house. Home care is such a crazy quilt from one city to the next, let alone between provinces, there is a crying need for sensible standards on the qualifications of home-care workers and the coverage of services. It is such an obvious point—why can't our leaders do the right thing? If they don't want yet another national program, they could at least adopt a national vision. Harmony would be better for their health, too.

Robert Lewis

Newsroom Notes:

Right on the money

This may be the year bonds outperform stocks in Canada, *Maclean's* reported a year ago in its second annual survey of mutual funds. As forecasts go, it turned out to be a good one. The spreading Asian financial crisis, coupled with predictions of lower corporate earnings in Canada, hammered the stock market in 1998, which in turn hurt investors in equity mutual funds. The average Canadian equity fund lost 3.1 per cent in the 12 months to Dec. 31.



PETER STRONG/MACLEAN'S

Laver (left), Smith: preparing the third survey on how mutual funds performed

Bond mutual funds, on the other hand, gained an average 7.1 per cent. Best of all were U.S. and foreign equity funds: both categories were up more than 23 per cent on average.

In addition to ranking the best and worst mutual funds in six major categories, this week's cover package includes a report on the trend towards lower fund management fees and an expert roundtable on RRSPs. The 15-page report was organized by Senior Business Correspondent Ross Laver and overseen by Gwen Smith, the magazine's new assistant managing editor for business. It begins on page 38.



The Mail



BARRIE STANLEY FOR MACLEAN'S

Vancouver's Elbow Room Café customers could do more

Service shortcomings

I read with great interest your article on the decline of good customer service ("Dishing out rudeness," Special Report, Jan. 11) In the past few years, my experience has been encountering not so much rudeness as ineptitude the seeming inability of utility companies to transfer account information correctly without a series of follow-up phone calls involving much hair-pulling and restrained tempers, delivery persons who "don't do stairs," insurance companies that invariably bill a different amount than quoted, days spent at home waiting in vain for contractors to show up, and charity organizations that refuse to take furniture with the slightest imperfections My favourite incident, though, involved my desire to purchase an item from the furniture department at a large department store in downtown Toronto I picked out the desired item, but was unable to locate a salesperson After 25 minutes, a friendly salesperson from the next department called over to me, asking if I was waiting for someone. Yes, I replied, explaining that I just wanted to buy that particular item. She said, bent in half at the waist, arms akimbo. "But there's no one in that department!" No kidding. So I left.

Joanne Kearney,
Toronto

I am 25 years old and have worked in a major department store for seven years For the most part, I have excellent customer service skills, but the problem in my store is that new staff, regardless of age, are not trained in anything other than how to take money They have little ability to handle people. Management seems to enjoy it this way—obviously they do not want to waste time or money in training But customers themselves are not blameless Little things like ripping open packages and having no patience do not make them a pleasure to serve. Anyone who comes complaining to me about poor service and too few staff covering the floor will always receive sympathy, but my suggestion, if they want improvement, is to fill out a comment card in the store and back it up with letters to the district and regional managers Until these people are hit over the head repeatedly, things will not improve Just please don't take it out on me I am honestly doing my best.

Roslyn Dulmage,
Spencerville, Ont

You make important points about the erosion of what were once common manners I can offer a number of possible explanations We live in an era of instant gratification and the idea of waiting for anything is difficult for most citizens of Western societies From the consumer standpoint, we demand more, more quickly and for less Retailers are frustrated with competing with so-called superstores like Wal-Mart, and are unable to meet increased consumer demands for speed and quality Many have yet to realize that service is more, not less, important than it once was, and the unfortunate result is an attitude of "take it or leave it." We must start expecting less in terms of speediness, but continue to demand more in service and honesty.

Greg W Jack,
Kingston Ont.

Your issue on rudeness arrived just after the New Year's weekend fiasco at Toronto's Pearson airport. My daughter was here for the holidays in Regina, scheduled to fly to England via Toronto on Air Canada. I called repeatedly over a two hour period, each time getting the message: "All circuits are busy Please call again." We pulled up the Air Canada Web page, and learned that the flight was cancelled. For people without access to the Internet, it appeared that the only way to get this information was to go out to the airport and check the monitors. Since Regina airport serves all of southern Saskatchewan, many passengers would have to drive for up to four hours, only to find the flight cancelled. In "Battered by a PR storm" (Business Notes, Jan 18), John Hamilton from Air Canada is quoted as saying: "Our customers' biggest frustration was not being able to understand if flights were going." I think he was referring to the lineups at the airport, but how about the inability to communicate via the telephone?

Kay Antrobus,
Regina

'Economic priorities'

Before the country goes into a panic over Canada's supposed lack of productivity and competitiveness ("Catching up," Canada, Jan 18), we should remember that a bigger cheque and global economic superiority do not equal a better quality of life. The United States may offer its exceptional individuals a heftier wage and lower taxation, but are they happier? We should definitely try to be as efficient and productive as we can be, but not at the expense of a social structure we know to be the envy of the world. If the in-

Bid.Com's reply

I wish to correct certain inaccuracies that appeared in connection with Bid Com International Inc. in your Jan. 18 article "A web of gold" (Business). Our 1997 total revenues were $2,671,000, and in 1998 through the third quarter had grown dramatically to $13,700,000, not from $32 million to $60 million as printed In addition, the story left the impression that I believe we are viewed as undercapitalized In fact, I wanted to leave the impression that some investors view us as undervalued when compared with a number of much higher-priced U S -listed Internet stocks We continue to be pleased with our business performance and it should be noted that in the fourth quarter of 1998 Bid.Com was the Toronto Stock Exchange's largest percentage gainer with an increase of about 285 per cent, as well as being its most active issue, so visibility and support in the Canadian context has been exceptionally high

Jeff Lymburner,
President,
Bid.Com International Inc.,
Mississauga, Ont

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THE MAIL

tellects and innovators of Canada see life as the quest for the supreme income, let them go. Let us not reform our economic priorities for the sake of these greed-mongers.

D. J. Hanson,
Saskatoon

Literary land mines

Barbara Amiel's understanding of things Third World are, to adopt her use of Shaw, a "torment" to the imagination ("Lloyd Axworthy: a profile in stubbornness," Column, Jan. 18). Let us take the question of anti-personnel land mines. If Amiel can explain how one uses land mines "safely" and how they "save lives," then I would suggest she go whole hog and explain how we can use nuclear weapons safely. But this misses the more central part of her argument, which is based on the international leadership of the United States on the question of land mines. The United States, which has not signed the anti-land mines treaty, is joined by other non-signatory human rights luminaries such as Nigeria, Russia, China, North Korea, Burma, Iran and Iraq. Meanwhile, Canada has played the central role in convincing 132 nation-states to sign the Ottawa Treaty banning the production, stockpiling and use of land mines. If Canada is on the wrong side of this issue, in Amiel's estimation, acting in cahoots with 132 other rogue nations in non-democratic unison, then I say bring on the revolution.

Olaf Juergensen
Johannesburg

Wheat board changes

As an Alberta grain farmer of more than 20 years, I read the Willard Estey report on the Canadian Wheat Board. Your own report ("Overhauling the wheat board,' Business Notes, Jan. 11) needs a bit of background. Poor railroad performance hurt export grain sales. As the agent of grain farmers, the wheat board lodged a poor service complaint against CN Railways and CP Rail before the Canadian Transportation Agency. CN settled out of court and, as a grain farmer, I will share in that settlement. The wheat board is suing CP Rail for $45 million and if it wins, all export grain farmers will share in that settlement, too. If implemented, Estey's recommendations will prevent farmers from ever using the Canadian Wheat Board against the railways again. It's not the wheat board that needs sweeping changes, it is Estey's report.

Ken Larson
Benalto, Alta.

Fat controversy

"Canada's obesity epidemic" (Cover, Jan. 11) is misleading. This isn't a pull yourself up by your bootstraps issue. You don't just lose the weight. You have to keep it off. Eating normally is not an option. For those of us whose daily life includes fending off the insults heaped upon us, acceptance is a goal. Fat people are no different than other people and neither self-loathing nor public harassment will make us thin. We will continue to band together and work towards acceptance. For those who are thin, I say it's none of your business how fat I am and if we all stopped being distracted by the superficial, then all our lives would be improved.

Deb Noah,
Salinas, Calif.

As you highlighted, physical activity and healthy eating play significant roles in achieving and maintaining a healthy weight and lifestyle. While more than half of Canadians may be overweight, two-thirds of adults and children are at serious risk for premature death, chronic disease and disability because of sedentary lifestyles. Today, the majority of our children are bused or driven to school, sit at their desks all day, and return home to sit in front of a television or computer. Too many adults work in a sedentary position, only to spend their evenings channel or Web surfing. Too. Federal, provincial and territorial ministers have joined together in acknowledging the significant health risks of physical inactivity. In 1997, they announced a target of reducing the number of inactive Canadians by 10 per cent by the year 2003. Canadians need to better understand the risks to their health of being inactive, and the benefits of regular physical activity, and to act on this information. A daily walk, opting for the stairs instead of the elevator, walking to the store instead of driving, and sitting less for long periods of time will not only help shed unwanted pounds but ultimately may serve as lifesaving choices.

Dr. Ira Jacobs,
President, Canadian Society
for Exercise Physiology
Ottawa

A bank replies

Had Peter C. Newman ventured beyond a few yellowed newspaper clips for his piece about the Canadian Imperial Bank of Commerce, he would have found that under CEO Al Flood's leadership, CIBC shares have outperformed the Toronto Stock Exchange bank and trust index in four of the past five years ("Corporate leaders also should face the music," The Nation's Business, Jan. 18). He would also have learned that while the exceptionally volatile market conditions in 1998 hurt earnings in CIBC world markets—as they did in every other global investment bank—the personal and commercial bank had record earnings of more than $1 billion. And in spite of market volatility, the investment portfolio of CIBC's merchant bank increased in value by more than $2 billion in 1998, better than twice that of all other Canadian banks combined.

John Ferguson,
Senior vice-president,
corporate communications and public affairs,
CIBC,
Toronto

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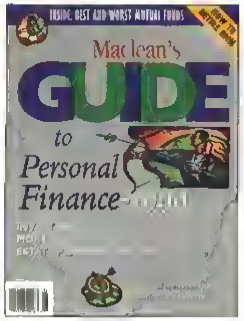
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Another View



Charles Gordon

The new challenge threatening culture

This being a magazine, it is hardly the place for unemotional debate on magazine policy. The technical pros and cons of the bill aimed at protecting Canadian magazines, its possible consequences, its offences, real or imagined against various constitutional freedoms—these can, and will, be argued elsewhere by people who enjoy dissecting legislation line by line. Out of it, we will either get this particular law or we will not. Of far more interest, and far more importance in the long run, is the question of whether Canada needs its own culture at all.

That question has been with us for at least a decade, and it may surprise you to learn that a number of prominent and even learned Canadians would not answer in the affirmative. The debate, in its most recent form, probably dates from about the time free trade became part of the national argument in the mid-to-late '80s, welcomed by many, feared by many others. Should Canadian culture protect itself in any way against the all-pervasive American influence? Does Canada need a culture at all? The question underlies the magazine debate. It is present in criticism of Canadian music quotas on radio. It lurks behind attacks on Canada Council grants, on CBC spending, on the CRTC, on government attempts to help the film industry.

Now, there is no absolute scientific proof that the critics of cultural policy would just as soon have no Canadian culture. But it is equally hard to locate, among the opponents of the magazine bill, the content regulations, the film and publications policies, many signs of respect for Canadian writing, music, theatre or art, any acknowledgment that they have value. To the extent that Canadian culture is recognized at all, it is a factor secondary in importance to free-market dogma, particularly as it relates to something called "freedom of choice." Included under freedom of choice, in addition to split-run magazines, are as many American radio and television stations as will fit on the dial.

Where the success of Canadian artists is acknowledged, as in the case of internationally celebrated authors, such as Alice Munro and Mordecai Richler, or world-famous pop music stars, such as Shania Twain or Celine Dion, it is only to demonstrate that Canadian culture does not need support, since it sells overseas. Otherwise, Canadian culture is derided as an unworthy object that is foisted upon an unreceptive population by something called "the cultural elite." Subsidies, content requirements and other forms of regulation are attacked as limiting choice. They are said to be inconsistent with globalization and even freedom of expression. If Canadian culture disappears, for lack of institutional support, that doesn't matter much, because nobody watches it or reads it anyway.

Behind all of this is a real hostility towards the so-called cultural elite. Here is an eloquent, and not atypical, expression of it from William Stanbury, a University of British Columbia business academic who studied Canadian content regulations for the Vancouver-based Fraser Institute. "The elite is *not* content to indulge its own tastes, it wants to 'improve' the tastes of others. The elite know to a certainty that if they could fully determine the type of cultural products to which the masses are exposed and to increase their exposure to these products, the masses would, in time, come to demand the cultural products promoted by the elite. For the Canadian cultural elite, U.S. junk food is positively the worst kind, because it is the product of the nation they love to hate. Worst of all, it is popular around the world and so further isolates and frustrates the elite."

Anyone who believes there is such a thing as a cultural elite and holds such a dim view of it is certain to resist any measure it promotes, whether it concerns radio, magazines or television. There is no shortage of such anti-elitists, as even a casual reading of the free-market-loving opinion pages in today's newspapers will demonstrate.

> Some critics attack subsidies and content requirements for limiting freedom of expression and restricting choice

Where did their hostility come from? Part of it may be an extension of the age-old hostility to the economic power of Toronto, where the cultural elite is thought to hang out. And some of it may go back to that free-trade debate. Remember all those artists, writers and other cultural figures who lent their names to the anti-NAFTA cause? Don't think that the other side doesn't remember. Remember the scorn, the sarcasm, the condescending irony with which some members of the cultural community attacked the conservatives who wanted to change the trade rules? Don't think that the conservatives don't remember. Now they control four provincial governments (the jury is out on the federal one), several think-tanks and not a few newspapers. Revenge is on their minds.

The landscape upon which Canadian culture either stands or falls looks like this. On the one hand, a group of people who look at the power and scope of American culture and fear for the survival of Canadian culture. On the other hand, a group of people who don't care if it survives at all. And somewhere in the middle, the vast majority of Canadians, who vote with their feet and so far are not using them to run out to buy Canadian books and magazines and watch Canadian films. If they were, the argument would be unnecessary.

The sad thing is that it is not the cultural elite who will be hurt if the anti-elite forces have their way and Canada gives in to the supposed inevitability of U.S. culture without giving its own culture a chance to find an audience. The notion of a cultural elite masks the fact that most of the cultural community consists of struggling musicians, artists, actors and writers who, far from trying to impose their tastes on anybody, just want to make a living in their own country.

Opening NOTES

Edited by TANYA DAVIES

Football widows no more

Kim and Jackie Sartor are the best testimonial for their new product, the Football Made EZ CD ROM. "We didn't know anything about football before we started this," says Kim, 32, who with her sister Jackie, 30, and a childhood friend, Michelle King, 24, created a CD-ROM that explains all the rules, plays and terminology of the National Football League. As sign the three have arrived in the big leagues the NFL last week gave their software its endorsement as an official product, just in time for the Super Bowl on Jan. 31 between the Denver Broncos and the Atlanta Falcons. The women, whose company Angel Lake Multimedia Inc., is based in Elliott Lake, Ont., have also inked a seven-year agreement with Wilson, the U.S.-based sporting goods company that makes the official NFL football and wants to package it with the CD-ROM.

Why a Canadian-made CD-ROM on American football? The idea came about two years ago as the three friends, who grew up in Collingwood, Ont., were developing training software for electric utility companies in Fort Lauderdale and Miami, Fla. Kim says that King, the only football fan among them, believed that if they could train electricians, " 'we could teach something like football to women and kids.' " The women are hard at work on their next program—Hockey Made EZ—and they have plans for soccer, baseball and golf versions. Where is the market? "I think men will buy it for the football and give the CD ROM to their wife or girlfriend," says Kim. Adds Jackie: "Or it could be the closet guy thing—they don't know everything about the game and don't want to be embarrassed." Or worse yet, risk being penalized.



Jackie Sartor (left), Kim Sartor (top), King: Canadians explaining the NFL

CAPITAL CONFIDENTIAL

Pundit alert. Sources in Premier Mike Harris's office are fuelling speculation that this year's Ontario election might be held in the fall, rather than the spring, which has been the unflinching target for the past four years. Don't fall for it. The old Common Sense Revolution campaign team—headed by Tory businessman Tom Long and public relations specialist Leslie Noble—has been reassembled to ready the troops for an electoral bun fight as early as May, hard on the heels of a provincial budget. Other key signs include an unrelenting stream of government ads, and a premier who appears to be honing his technique with a regular series of election-style stops. On Jan. 12, it was a hospital in north Toronto for a health-care announcement that spilled over into a rant against federal cutbacks. Last week, the premier ended his Florida vacation early to tell a huge gathering of vacationing Canadian snowbirds in Tampa that out-of-country medical coverage is being expanded.



One fly in the electoral ointment: a federal budget on Feb. 16 that may top up health-care spending, but with strings attached. Harris wants three things before his election bus hits the road: a balanced or near-balanced budget, a new law that would restrict future governments from raising taxes, and one last wave of his tax-fighter's wand—quite possibly with a one- or even two-percentage-point cut in the eight-per-cent Ontario sales tax. One point of sales tax equals $1.4-billion in revenue. That's a lot to forgo if the feds are also going to force Ontario to pick up its share of new health-care spending—and to account for it to Ontario taxpayers in the bargain.

EMPORIUM

The 10 largest shopping malls in Canada, according to the *Canadian Directory of Shopping Centres*:

		Gross leasable area (in millions of square feet)
1.	West Edmonton Mall (Edmonton)	3.8
2.	Yorkdale Shopping Centre (Toronto)	1.67
3.	The Toronto Eaton Centre (Toronto)	1.8
4.	a) Les Galeries de la Capitale (Quebec City)	1.4
4.	b) Square One Shopping Centre (Mississauga Ont.)	1.4
6.	Place Laurier (Ste-Foy Que.)	1.32
7.	Carrefour Laval (Laval Que.)	1.18
8.	Polo Park (Winnipeg)	1.13
8.	a) Oshawa Centre (Oshawa Ont.)	1.1
8.	b) Place Versailles (Montreal)	1.1

GOLDFARB POLL

Winters wrath is upon Canadians and who shovels their snow? Older folks are most likely to pay someone else to do it for them. Still, the vast majority of all age groups brave the cold and snow to do their own work. By percentage of 1,400 adults

	Total	Under 25	25-34	35-49	50-64	65+
Shovel own snow	90	98	95	93	88	71
Pay someone else to shovel snow	10	2	5	7	12	29

SOURCE: GOLDFARB CONSULTANTS
DATA COLLECTED IN FEBRUARY 1998

Goldfarb Consultants Limited



The driller upon his arrival back in Canada, besieged

The Norbert Reinhart story

Norbert Reinhart hoped to make a fortune drilling for gold, now he is finding out there may be money in mining book and movie deals. Reinhart's firm, Terramundo Drilling Inc., was taking core samples in a remote corner of Colombia on June 24 when Marxist guerrillas seized one of his workers. Reinhart, of Raymond, Alta., was extremely worried, and on Oct. 6, he walked into the jungle and switched places with his employee. When Reinhart was finally released on Jan. 8 after paying $170,000 ransom, he became an instant celebrity and was besieged by agents flogging book and movie deals. "We've had a lot of offers," he told *Maclean's* last week. "We're still deciding who to go with."

In fact, Robert Mackwood, director of the Vancouver agency Contemporary Management Ltd., claims the driller's Colombian saga has become one of the hottest publishing properties in recent years in Canada. "The story has captured the imagination of Canadians," he said. "It will definitely be an exciting book." The competition is intense, and Reinhart said that in addition to Contemporary Management, other contenders to represent Reinhart include Toronto-based IMG-Canada—a firm that handles a number of sports stars.

The winning firm is expected to rush the story into print. Ian Mulgrew, an author and columnist with *The Vancouver Sun*, has been approached and he says he would have no trouble meeting a quick deadline. "It could be done in a month," predicted Mulgrew, "depending on how fast I type." After that, Reinhart will have to wait to see whether his story strikes gold with readers.

Diana's laments



Last week, the London newspaper The Mirror *published some private letters that Diana, Princess of Wales, had written to a relative and confidant. Correspondence during her June, 1983, trip to Canada, when Pierre Trudeau was prime minister, reveals that while Canadians were in love with Diana, the feeling was not mutual. An excerpt.*

Tonight finds us eating a lobster dinner and if I look back in our program, it's about the sixth up to date!! (ugh) Ottawa was over 90 degrees in the shade, so Charles and I felt very uncomfortable the two days in the city. The prime minister gave us a barbeque for 1,700 which was just like a football crowd, pushing and kicking and, I might add, no sign of any Conservatives.

Millions of children chew gum out here and when trying to drag a sentence out, all we actually see is a bright pink thing. If you're lucky, they blow a bubble in the face as you shake hands!

BEST-SELLERS

FICTION

1. **The Love of a Good Woman,** *Alice Munro (1)*
2. **Blindness,** *Jose Saramago (2)*
3. **The Poisonwood Bible,** *Barbara Kingsolver*
4. **The White Bone,** *Barbara Gowdy (3)*
5. **Southern Cross,** *Patricia Cornwell*
6. **Forms of Devotion,** *Diane Schoemperlen (9)*
7. **The Colony of Unrequited Dreams,** *Wayne Johnston (10)*
8. **A Man in Full,** *Tom Wolfe (4)*
9. **Amsterdam,** *Ian McEwan (5)*
10. **Home from the Vinyl Cafe,** *Stuart McLean (6)*

NONFICTION

1. **Titans,** *Peter C. Newman (1)*
2. **The Century,** *Peter Jennings (2)*
3. **Blue Trust,** *Stevie Cameron (3)*
4. **The English,** *Jeremy Paxman (10)*
5. **The Eatons,** *Rod McQueen (7)*
6. **Becoming Human,** *Jean Vanier*
7. **Isaiah Berlin,** *Michael Ignatieff (6)*
8. **Life Strategies,** *Phillip McGraw*
9. **The Ice Storm,** *Mark Abley (4)*
10. **The Professor and the Madman,** *Simon Winchester (5)*

() Position last week
Compiled by Brian Bethune

What *not* to do on a hot date

Canadian sex and relationship columnist Josey Vogels provides an entertaining look at modern courtship in *Dating: A Survival Guide from the Frontlines* (Raincoast Books). From first-date conversation no-no's (obsessive behaviours, friends in jail, exes) to the art of rejection, Vogels offers humorous and helpful advice for daters.



Passages

AWARDED: One of the National Audubon Society's "100 Champions of Conservation" of the 20th century appointments, to Canadian artist **Robert Bateman,** 68. The New York City-based society described Bateman, who lives on British Columbia's Saltspring Island, as "one of the world's best-known contemporary wildlife artists."



ACQUITTED: Equestrian **Norman Elder,** 59, of two charges of sexual abuse of two former teenage tenants, in Toronto. Elder earlier pleaded guilty to sexually assaulting 10 teenage boys between 1970 and 1980.

DIED: Edgar Nollner Sr., 94, the last survivor of a 1925 dog-team relay that carried diphtheria serum to Nome, Alaska, of heart failure, in Fairbanks, Alaska. Nollner was the 10th musher in a relay team of 20 who made the 1,000-km journey in a record five days, a feat still celebrated in the annual Iditarod Trail Sled Dog Race.

DENIED: By **Mick Jagger,** 55, that he was ever legally married to Texan supermodel **Jerry Hall,** 42, his companion of 20 years. Hall had launched divorce proceedings amid reports that Brazilian model **Luciana Morad,** 29, is expecting Jagger's child. Jagger issued a statement insisting that the couple's 1990 Hindu wedding ceremony in Bali was not valid because the correct papers were not filed. The couple have four children.

MURDERED: Zaharul Akhlaq, 57, one of Pakistan's leading artists, and his daughter, **Jahanara,** 24, a Toronto-based classical Kathak dancer, in Lahore, Pakistan. Police have issued a warrant for the arrest of an acquaintance who may have been jealous of Jehanara's coming marriage to a Canadian-born professor at Aga Khan University in Lahore.

MARRIED: Princess Caroline of Monaco, on her 42nd birthday, and **Prince Ernst August** of Hanover, 44, in Monte Carlo. Caroline divorced her first husband, and her second husband died in a motor-boat accident. The prince is once-divorced.

GRABBING FOR GOLD



As the Olympic scandal widened, Montreal's Richard Pound led the drive to save the Game's battered reputation

BY JANE O'HARA

For Michel Lizotte, the former vice-president and director general of Quebec City's bid for the 2002 Olympics, the *real* Olympics took place in fancy restaurants and five-star hotels, not skating rinks and luge runs. In 1993, just after Quebec City began its quest for the Games, Lizotte met a Parisian lobbyist with close connections to the IOC. But it wasn't until a year later that the lobbyist and a friend came to Quebec City to pitch a questionable scheme for securing votes. In a secret meeting with Quebec bid officials, the men asked for $500,000 (U.S.), in return, they said they would meet with IOC members in Paris and visit them in their respective countries. The men, whom Lizotte estimates were in their 60s and 70s, showed the Quebecers a list of 20 IOC members from China, Europe and Africa whom they felt could be persuaded to vote for Quebec. Time, they said, was running out. "They said 'We'll bring you votes,' " says Lizotte. "They didn't say they would pay off someone. But obviously the $500,000 was probably not just for expenses."

Lizotte says he asked them what assurances they had that the IOC members would vote for Quebec City. The men replied that they had done this for several previous bids. When Lizotte then asked them what they knew about the Quebec City bid, he says, "They looked at each other and smiled as if it wasn't really important whether or not they knew about the bid." Ultimately, the Quebec committee turned the lobbyists away, but even then they were gracious in their refusal. After all, their main competition for the Winter Games was Salt Lake City, which seemed to be playing by a different set of rules. "You have to be prudent so that those people don't work against you the next day," says Lizotte, now an executive headhunter in Montreal.





Finland's Haeggman (left), Libya's Attarabulsi, Pound (below left): a denial mechanism that is as strong among IOC members as 'among athletes who've tested positive for banned drugs'

Last week, as new and more damning allegations of improprieties piled up, the IOC battled to save its reputation and preserve the corporate sizzle of its five-ring logo. Officials said they would conduct further investigations, possibly into the awarding of next year's Summer Games to Sydney, in addition to their previously announced probe of the Salt Lake City bid, headed by Richard Pound, the Montreal lawyer and IOC executive vice-president. Three other investigations into the Salt Lake City bid are also ongoing, including one by the U.S. justice department, which had begun to subpoena witnesses for a grand jury. The spate of allegations led to two quick resignations from the IOC. Finland's Pirjo Haeggman, one of just 12 women among the 115 IOC members, resigned after it emerged that her former husband had secured jobs with help from bid committees in Salt Lake City and Toronto (in the latter case, he had gotten a provincial forestry post in Sault Ste. Marie, Ont., which also included $965 a month in rent on a small home paid by the Toronto committee). Next came Bashir Mohamed Attarabulsi, a Libyan delegate, who quit over revelations that the Salt Lake committee had arranged a scholarship for his son at Utah's Brigham Young University.

Salt Lake City: the inducements included everything from free surgery to university scholarships to gifts of more than $100,000

Meanwhile, there were new allegations that IOC members visiting Amsterdam, which bid for the 1992 Summer Games, were offered prostitutes, diamond broaches and videocassette recorders in an attempt to sway votes. According to a Dutch newspaper, one of the IOC members escorted regularly to Amsterdam's legal brothels was Brazil's Joao Havelange, now 82, an IOC member since 1963. In Nagano, which hosted the 1998 Winter Olympics, officials admitted they hired geishas for the enjoyment of some IOC members. To hide the evidence, the Nagano bid committee also acknowledged they burned the financial records that detailed the vast sums of money spent on IOC delegates. Some of that money went towards presents for IOC president Juan Antonio Samaranch. According to the Japanese, Samaranch was given a $20,000 samurai sword and an expensive painting depicting a geisha. Samaranch's Nagano hosts also put the president up in a hotel befitting his imperial style. While athletes often huddled four to a room in spartan housing, Samaranch basked in a suite that cost $3,800 a night; the hotel bill for his 30-day stay in Nagano came to more than $113,000.

Closer to home, the Calgary bid committee that secured the 1988 Winter Games had first-hand experience with requests for special treatment. Bill Warren, who in the early 1980s was on Calgary's committee and is the current president of the Canadian Olympic Association, told *Maclean's*: "There was one IOC member who inquired as to whether or not we would be prepared to lower the eligibility requirements for a relative to attend the University of Calgary. The answer was 'No, we can't do that sort of thing.' " Warren says he cannot recall the IOC member's identity because the request was made to a fellow bid committee colleague. Asked to name the colleague, Warren refused. "I'd rather not say, because I don't want to implicate him."

Toronto's bid to win the 1996 Olympics—once considered squeaky clean—came under increased scrutiny. In addition to Haeggman's husband, committee chairman Paul Henderson also found jobs for two other people with connections to IOC members. Henderson insisted he was merely doing favours for friends, not attempting to buy votes. "I spent four years trying to get the Olympics to the city," he said, "and because I did that, people are now shitting on me." Clearly, Toronto's infractions were minor league compared with the flagrant payoffs in Salt Lake City and Nagano. But Carol Anne Letheren, an IOC member and chief executive officer of the Canadian Olympic Association, said the international body needed firm ground rules to keep officials and bidders honest. "The line has to be drawn between friendships

and business when it comes to Olympic bids," Letheren said.

As the IOC scandal gained an almost unstoppable momentum, Pound apologized to fans and competitors. "These actions are an affront to the Olympic athletes who have inspired us through the years and whose lives so poignantly embody the Olympic ideal," he told a sports marketing meeting in New York City, part of a high-profile campaign orchestrated by the public relations firm Hill and Knowlton. Late last weekend, Pound also released a report that promised to root out the Olympic profiteers and made recommendations to clean up the bidding process. The report was expected to implicate at least 13 IOC members for schemes involving $780,000 (U.S.) in kickbacks and gifts from Salt Lake City—everything from free surgery to university scholarships. Some walked away with money and gifts of more than $100,000 (U.S.). Whether these members would resign willingly or be forcibly expelled remained to be seen. As Pound told *Maclean's* last week: "That's hard to say. The denial mechanism seems to be as strong among members of our organization as it is among athletes who've tested positive for banned drugs."

Pound, who has negotiated more than $8 billion worth of worldwide TV deals for the IOC since the mid-1980s, insists "there may have been questionable and objectionable behaviour, but nothing criminal." That swift legal determination was aimed at fending off the U.S. justice department and sparing IOC members from being called before a federal grand jury. But the protective attitude annoyed some onlookers who believe the IOC is incapable of investigating itself. 'What I find appalling,' says Lizotte, "is that the investigation is being conducted internally."

A former Olympic swimmer who joined the IOC in 1978, Pound quickly rose to the position of executive vice-president. He was chosen by Samaranch to start the Olympic cleanup after Swiss IOC member Marc Hodler spilled the beans on Salt Lake City in mid-December—and says he was disheartened when he began to accumulate hard evidence against corrupt colleagues. "We had heard the rumours about IOC members on the take, but no one ever came forward with the goods," Pound said. "So, yes, what we have seen has been discouraging."

But Pound, widely touted as one of the leading candidates to replace Samaranch when he retires in 2001, had heard more than just rumours. During a speech in Kitchener, Ont., he admitted in an offhand remark that he had been offered a $1-million bribe 15 years ago when negotiating a television deal for the 1988 Summer Olympics in Seoul. Pound said he refused the offer, informed Samaranch but took no further action against the nameless briber, save for admonishing him by saying: "Don't talk to me like that. Don't do this. What I'm doing I'm doing because I think it's the right thing for the Olympics."

The Montrealer promised that the new rules regarding bid cities will end the graft and underhanded deals that have crept into the system since the Olympics became a corporate bonanza in the 1980s. The changes, if implemented, will take power away from the full IOC membership and centralize it in the hands of the 11-member executive board. Among the reforms:

- The executive will control all travel arrangements for IOC members visiting bid cities.
- The number of candidate cities will be reduced to two and a speedy vote held to pick the winning city.
- An Olympics ombudsman will be set up to monitor complaints from competing cities. "I think there are a lot of things we can do," said Pound. "It's an ongoing process."

With the expulsions of IOC members and the promise of a new broom sweeping the old system clean, the IOC hopes the scandal will go away quickly. After all, the site of the 2006 Winter Games will be announced in June. And next year comes the 2000 Olympics in Sydney, planned as a sunny millennial showcase for Olympic ideals. But Sydney's reputation was blackened as well when an Australian official revealed last week that he had offered $70,000 (U.S.) in inducements to two African IOC members the night before the city was awarded the 2000 Summer Games. Australia's senior IOC member, John Coates, who said he was not involved in the offer, acknowledged that the inducement could be seen as a bribe and could prompt demands for Sydney to be stripped of the Games—won by only two votes over Beijing.

Some jilted cities are now squawking. The Quebec City bid committee is pondering a lawsuit to recoup some of the $12 million of private and government money spent in trying to win the Games in a fair competition. Ironically, when Quebec City launched its bid, the committee was led to believe that the IOC had already tightened the rules to stop inappropriate behaviour: a $150 cap had been put on the price of presents, and IOC members were allowed to visit bid cities for only three days. "To us," said Jean Grenier, the executive vice-president of the Quebec city bid, "the rules seemed not only strict but easy to control. We believed it was impossible for the IOC to get around them."

Lizotte recalls a dinner conversation in early 1995 with an African IOC member, who expressed interest in one of his children studying at Laval University. The man added that it would be difficult for him to pay because he was no longer a government minister in his country, a remark Lizotte interpreted as a request for a bursary. On another occasion, a visiting African delegate told Quebec City officials of his affection for Canada because the Canadian International Development Agency had paid for a gym in his country. He then mentioned that equipment needed to be replaced. "We knew that by not responding to these little openings we could lose votes," said Jean Grenier, the executive vice-president of the bid.

In all, 60 of the then-86 IOC members visited Quebec City at a cost of $20,000 for each trip. During the average three-day stay, the IOC members bedded down at the elegant Chateau Frontenac and were helicoptered to sport sites, feted with dinners hosted by local and government officials and taken to NHL hockey games. But that was nothing compared with the perks and payoffs—bribes, scholarships, medical care and land deals—some IOC members got from Salt Lake City.

The Quebecers knew they were outgunned one day when they drove a group of departing IOC members to the airport. Scheduled to fly out first-class on Air Canada from Quebec to Salt Lake City, the IOC members were instead whisked aboard a private jet—hired by the Utah committee. "The IOC may not have formally approved the things that were happening," said René Paquet, the head of the Quebec committee. "But we practically had the impression that it was closing its eyes because it didn't want to see what was going on."

The question is whether there can be a wholesale housecleaning of the IOC with Samaranch still in office. Since 1980, when he was first elected president, the now-78-year-old Spaniard has run the IOC like a feudal fiefdom, filling positions on the all-powerful executive board with close friends and business associates. Olympic watchers like Andrew Jennings, author of *The New Lord of the Rings*, believes that Samaranch let the abuses go on because he was afraid of alienating the IOC's jet-setting members who had grown used to their lavish lifestyle. Up to now, almost all have remained loyal to him. But IOC officials in Lausanne fear that expelled members may not go quietly, and may begin implicating others and widen the scandal even further. One year ago, Samaranch told reporters that as the Olympic movement advanced on the millennium, "The biggest problem we have is we have no problems." That's *one* problem the Olympics no longer have.

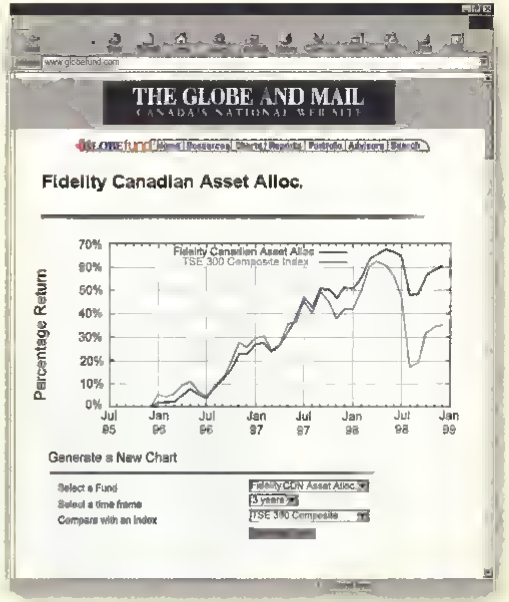
With BRENDA BRANSWELL in Montreal and DANYLO HAWALESHKA in Toronto



IOC president Samaranch in Nagano. the hotel bill for his 30-day stay was more than $113,000

In Quebec City, two lobbyists asked for cash to secure foreign votes

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LOOKING AHEAD

BY JOHN DeMONT

Brian Tobin eyes a bigger prize: the Prime Minister's job

The turnout was impressive—even if 200 people might normally be considered a disappointing crowd for the silver tongued premier of Newfoundland. The dinner in question took place on Dec. 10, more than a month before the hoopla of the provincial election campaign which kicked off last week. In return for the pleasure of hearing Brian Tobin hold forth, each person in the room had to contribute $1,000 to the Newfoundland Liberal party. The twist: the venue was the Hotel Vancouver, a country width away from Tobin's home turf. "I was blown away," admits one adviser to Prime Minister Jean Chrétien, who hit up some of the same British Columbia Grits at a Vancouver fund-raiser two days earlier. "For a Newfoundland premier to come all the way across the country and get a crowd like this in the dead of December is amazing."

Tobin has undeniable drawing power. Last March, 150 Montrealers dropped $1,000 each to listen to the premier—and potential federal Liberal leadership candidate—speak at a party fund-raiser. A month later, 350 Torontonians paid a total of $350,000 for the same privilege. Liberals are not the only people who want to hear the former federal fisheries minister. Matthew Barrett, the chairman of the Bank of Montreal, has entertained Tobin, along with a roomful of Bay Street heavyweights, during lunch at the bank's Toronto headquarters. And in Newfoundland, where Tobin's party sat at 60-per-cent support among decided voters before the Jan. 18 election call, analysts say he seems poised for an easy walk to victory on Feb. 9, despite being a mere three years into his mandate—and even Newfoundland Liberals concede he has no real issue on which to run. "It is so transparent," admits a prominent St. John's businessman and Liberal. "This is pure political opportunism and everyone knows that."

Stumping across the province last week, Tobin said he needs a new mandate from the voters to negotiate with Inco Ltd. over the stalled Voisey's Bay nickel development in Labrador, and to sit down across the table from the Quebec government to iron out a pact to develop the $12-billion Lower Churchill Falls hydroelectric project. "The government of Newfoundland needs to be able to deal from a position of strength in both of these matters to ensure any deals are in the best interests of Newfoundlanders," he told *Maclean's*. But Liberals say Tobin, whose party has 36 of 48 legislative seats, called a premature provincial runoff against a hapless opposition simply to get it out of the way. His real focus: preparing to take on federal Finance Minister Paul Martin, Health Minister Allan Rock and any other comers for the federal Liberal leadership when Chrétien, as anticipated, finally steps down. "A person would have to be in serious denial not to conclude that Tobin is already laying the groundwork," concludes one well-connected Ottawa Liberal.

Many Liberals view Tobin's fund-raisers, which helped wipe out the provincial party's 50-year-old debt, as nothing more than a bid to raise his national profile. Party insiders also claim that Tobin, who takes weekly French lessons, wants to use the Lower Churchill negotiations to demonstrate that he can deal with Quebec Premier Lucien Bouchard and his separatist government. Most of all, they contend that when he argues, as Tobin did in last March's Newfoundland throne speech, that "the moral test of a society is not found in the books of accountants, but in the care of the sick, respect for the elderly and the education of children," he is trying to set himself up as the federal leadership candidate of the party's left—those Liberals desperately searching for someone to stop the deficit-preoccupied Martin, but who have never really warmed to Rock.

When confronted directly on the leadership question, Tobin certainly does not talk like someone eager to seek the big job. "The Prime Minister and I have a good chuckle about all this speculation," he said in an interview last week. "He knows and I know that Jean Chrétien will be leader for a third election. I will probably be retired before he is, and many of the names now in the spotlight will be long forgotten by the time Jean Chretien decides to leave." The words sound sincere enough. But Tobin's eyes have always been firmly fixed on the horizon. He is, after all, a fireman's son who grew up on an American air force base in Stephenville, Nfld., where his father was a civilian employee. He was an undistinguished student at Memorial University of Newfoundland in St. John's, who went on to become a long-haired disc jockey and later earned the nickname "Thumbs Tobin" because of his clumsiness in the control booth of a St. John's radio station.

His political education began in 1977, when he took a job as executive assistant to Bill Rowe, leader of the Newfoundland Liberal party, which was then the official opposition to Frank Moores' Conservative government. Three years later, when the federal party needed a candidate to run in the traditionally Tory riding of Humber/St. Barbe/Baie Verte on Newfoundland's west coast, the 25-year-old political neophyte entered the race—and surprised even himself by winning. In Ottawa, his youth, quick tongue and aggressiveness made him a charter member of the Liberal Rat Pack—which also included Sheila Copps, now federal heritage minister—that made its name by ruthlessly attacking Brian Mulroney's Tory government.

He quickly demonstrated well-honed political instincts. His strategic advice was a critical factor in Liberal leader John Turner's compelling anti-free-trade performance during the televised debates that almost turned around the 1988 federal election for the Liberals. And Chretien leaned on him repeatedly for communications know-how during his 1990 leadership campaign. During the federal election three years later, Tobin, along with fellow Rat Packer David Dingwall and key Chretien aide Warren Kinsella, ran the Liberal war room, dictating day-to-day strategy as they wiped out the ruling Tories. "Brian is what is known as a good brief," stresses Kinsella, now a lawyer and consultant in Toronto, who helped organize Tobin's fund-raiser lunch there last year. "He has an uncanny ability to ingest huge amounts of information on complex issues, digest it and then make quick, informed decisions."

Indecision has never handicapped Tobin. Appointed fisheries minister in 1993, he made conservation his buzzword, steering a bill through Parliament that allows Canada to seize fishing vessels operating under flags of convenience. Then, in 1995, came his shining moment—a bold decision to seize a Spanish trawler while it fished for turbot along the Grand Banks. The world media labelled him "Captain Canada" after he stood on a barge in New York's East River, across from United Nations headquarters, displaying a net from the Spanish trawler and lamenting the ravages inflicted on Canada's fishing grounds by foreign overfishing. "We're down now finally to one last lonely, unattractive little turbot," he declared memorably, "clinging on by its fingertips to the Grand Banks, saying, 'Someone reach out and save me in this eleventh hour.'"

If anything, his star within the federal caucus rocketed even higher later that year after his idea for a massive federalist rally in Montreal gave a boost to the No side on the eve of a razor-thin victory in the Quebec referendum. Little wonder that so many eyebrows were raised in Ottawa when Tobin decided to head home in 1996 after Clyde Wells resigned as Newfoundland premier. Tobin, who skis a little, spends most of his free time with his wife, Jodean, and their three children, took the party leadership unopposed—then handily won the election that followed. But much as he denied it, the view persisted in Liberal circles that his return to Newfoundland was all part of some grand strategy to demonstrate he could govern a province before making a run for the federal leadership.

Tobin inherited a province in the midst of wrenching change—the cod fishery gone, the riches of the Hibernia offshore oilfield, Voisey's Bay and the Lower Churchill still to come. But so far, as the opinion polls indicate, he has had few missteps. He skilfully brought in legislation ending centuries of church control over the school system, and landed the Canada Winter Games, which begin in Corner Brook on Feb. 20. Tobin's decision not to allow development of Voisey's Bay to go ahead until Inco agrees to build a smelter in Newfoundland only seemed to shore up support among Newfoundlanders. "He's done a good job," says Stephen Tomblin, a political science professor at Memorial University. "Having no real opposition helps, but he's been untouched by scandals—and has dealt with some troublesome issues."

That seems to spell a tough uphill fight for Ed Byrne, who became Tory leader by acclamation last March, but has still been unable to quiet criticism of his party's ineffectiveness in the house of assembly, where it holds 10 seats. The race looks even grimmer for NDP Leader Jack Harris, who holds his party's lone seat. For the opposition, the picture could be rosier next time around—as this campaign swings into gear, Tobin may already be thinking of bigger things.

With BRUCE WALLACE in Ottawa



Calling the Newfoundland election: ambitions

Hitting a sour note

A hockey superstar cancels a $1-million gift

BY BRUCE WALLACE

Hockey fans have long since become accustomed to the mercenary nature of modern professional sports players whose seven-figure salaries are not enough to anchor them to a team or a town, and even teams themselves that abandon those towns for newer arenas and sweet tax concessions elsewhere. No wonder Alexei Yashin endeared himself to Ottawa Senators fans last March when he decided to give something back to his adopted city—a hefty $1 million to the struggling National Arts Centre, ostensibly to bring more Russian performers to the Canadian capital. There may have been a sense the towering Russian centre was trying to make things right with Ottawa after his holdout during the 1994-1995 season, but Yashin insisted his motives were pure. All he wanted to do, he said at the time, was show gratitude for "the kind of connection I have with the Canadian people, and especially with the people in Ottawa."

In hindsight, those noble-sounding sentiments have the whiff of a hollow "just-want-to-help-the-team" between-periods interview. Yashin has pulled the plug on his donation. His gift, it now seems, may have been more about creative accounting than philanthropy. The player was spreading his $1-million donation in equal amounts over five years—providing him with a $100,000 tax deduction on each $200,000 payment (only one payment was made). But according to NAC officials, $85,000 of each instalment was to be paid to Yashin's parents for loosely defined consulting services. A second side deal required the NAC to pay $15,000 a year to Pat Reid, an independent Ottawa fund-raiser who says he came up with the idea. The NAC even paid $11,000 in legal fees for a lawyer to incorporate Tatiana Entertainment, the consulting company named for Yashin's mother.

It was the NAC itself that blew the whistle on the scandal's details, producing a paper trail to match. Chairwoman Jean Riley maintained the arts centre's board of directors had not been aware of the side deals. Those extra twists were negotiated by its former director, John Cripton, who is currently locked in a bitter war of words with the NAC after resigning last October in a disagreement over budgets. Kim McCuaig, the NAC's former marketing director, was apparently the only other executive privy to the deal—and he was fired in December.



Yashin with his parents: a surreal mixture of Ottawa's arts and sports

Only after Elaine Calder, Cripton's replacement, became aware of the NAC's obligations was the board informed. Calder says when she asked McCuaig about the arrangement, he told her the Yashin money flow would stop if the NAC did not comply.

Calder says she was then contacted in December by Mark Gandler, Yashin's New York City-based agent, who asked her to help draft an invoice for $85,000—though no services had been provided or requested. Calder refused, and instead sent Pinchas Zukerman, the symphony's exuberant new conductor, to beg Yashin to stick to his pledge. But Yashin could not be persuaded, according to the NAC's version of events. And early last week, he announced the NAC could look forward to no more $200,000 instalments. He cited only "personal reasons."

The aftermath to the revelations was almost as surreal as the original mixing of Ottawa's arts and sports communities. The perennially deficit-ridden NAC found itself again under fire for sloppy management. (Calder revealed the NAC spent $1.3 million to raise $1.6 million in sponsorships last year). Operating out of a bunker-like concrete slab alongside the Rideau Canal, the NAC has been unable to keep directors happy and its musicians went on strike last fall. A parliamentary committee is scheduled to begin hearings into the troubled centre next month, and Cripton suggested the allegations were part of a "witch-hunt" to discredit him and protect the board. He did not deny that certain promises were made to Yashin's family, but were meant to "humour" them, he said. "If you look at the agreement, it does not bind the NAC," Cripton declared.

Meanwhile, a tight-lipped Yashin insisted he was innocent of any wrongdoing. "It's a free country," he said tersely before going out to help his team beat the Boston Bruins 3-1 last Thursday. Yashin promised to tell his side of the story this week. And though some Ottawa fans were unsettled by the controversy, there was also a surge of sympathy for Yashin himself. "He's just a kid, a stubborn kid but nice and polite," said season ticket holder Chris O'Brien, whose car rental agency has regular dealings with the Yashins. "He was just trying to take care of his family."

Remarkably, even those burned by the scandal tried to spare Yashin from blame. The NAC's Riley suggested the player "had little understanding of the arrangement," and expressed "genuine sorrow for an extremely capable young man." Promoter Reid, lamenting what the soured deal would do to *his* image, told *Maclean's*: "Yashin wasn't even at the table during the talks. Hockey agents often make deals that have bonuses for the parents of players, and you definitely can't blame an agent for getting the most he can." That broad willingness to excuse a star player may reflect how jaded sports fans have become. "Hopefully, it won't cause a problem for the Senators," said Industry Minister John Manley, who represents an Ottawa riding and sounded remarkably sanguine about so dubious a deal. "As long as he keeps putting the puck in the net—that's what we're concerned about." □

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Gallagher trying to ease opposing sides towards an understanding

CANADA FOCUS B.C.

Gentle justice

Court reforms aim at pretrial settlements

BY CHRIS WOOD

Court is in session in Vancouver, Judge Rosemary Gallagher presiding. Except that in Conference Room 114 of the downtown provincial law courts building on this grey December morning there is no sheriff crying "Order!" There is no bar, no bench and very little formality, either. Instead, there is a round table with chairs—where Gallagher welcomes litigants with a bowl of candy—and a small desk at one side staffed by a clerk. The judge is a personable woman who laughs often, kidding the other people at the table out of their nervousness.

One is the plaintiff, whose complaint is with a car dealership. Gallagher hears him assert that his new car's hood support was faulty because it squeaked. He has had to replace it at his own expense and wants $255—the price of the new parts plus the cost of taking his claim to court. The service manager objects that paying the claim would amount to acknowledging that the support was faulty, which he denies (according to the manufacturer, it seems, the squeak is not a malfunction). After listening to both sides, Gallagher tries to ease the two towards an understanding: "I'm not hearing that anybody's wrong here," she assures the parties. "You can both be right. I'm hoping somebody here is going to recognize a way to solve this."

Welcome to the new face of justice, and not only in touchy-feely British Columbia. With backlogged cases clogging dockets in almost every legal jurisdiction in the country, courts are struggling to respond. Some have sought, and received, more resources. In several provinces, courts are also looking for new ways to dispense the law more efficiently, to bring cases to a conclusion more quickly and more cheaply—but no less fairly. But no other court system has taken the idea as far as the provincial court of British Columbia, whose judges dispense about 80 per cent of criminal, civil and family decisions in the province (the rest fall under the jurisdiction of British Columbia's Supreme Court). "We started with a novel assumption," says chief provincial court Judge Bob Metzger, who has championed the changes. "Let's pretend that we're the litigants, and the rules should be designed for us as users, not for the judges and the lawyers. What do we want?"

A step back from courtroom drama, for one thing. Pretrial settlement conferences aimed at keeping cases out of court wherever possible—such as the one presided over recently by Gallagher—have been mandatory for small claims (under $10,000) in British Columbia since 1991. The low-budget conferences now resolve nearly three-quarters of all such cases before trial. The province has steadily extended similar concepts to other areas of the justice system. Two years ago, mandatory pretrial conferences conducted by judges were instituted for child-protection cases. And on Dec. 1, they began to be applied to many other family law disputes—parental access, child custody and support payments. More than 120 of the court's judges have so far received special mediation training to equip them for their new role.

Not all were initially enthusiastic about the new, less structured style of conducting judicial business. "There was real resistance," acknowledges associate chief Judge Hugh Stansfield, a Kelowna-based magistrate. But most judges, Stansfield insists, have slowly been won over. "Sometimes," he says, semiformal mediation can produce "a result that *could not* have been achieved in a trial." In one case, Stansfield recalls, "I had two businessmen suggest a coin toss to get over the last point."

Now, a rare judicial vote being conducted this week could open the door to even more sweeping change. By Jan. 29, the 140 judges of the B.C. provincial court will pass collective judgment on whether to recommend adoption of dramatic new rules for criminal trials (last year, there were 115,000 in British Columbia). Constrained by charter of rights and Criminal Code considerations, the new rules would not brook as much informality as Gallagher enjoys in civil cases. But they would provide encouragement for prosecutors and defence council to agree on a plea bargain before any case reached court, and discourage them from delays once it does.

Both measures are aimed at redressing what judges say is a critical problem: the number of cases scheduled for trial that do not proceed when their day in court finally comes. According to court records, roughly 70 per cent of trials scheduled in British Columbia are aborted at the last minute—in roughly equal proportions because an accused has failed to appear, or pleads guilty at the last moment, or because the Crown drops the case. Whatever the reason, so many cases collapse on trial day—even after witnesses have been called and are in attendance—that court staff routinely book three or even four cases into the same courtroom on the same day, in order to ensure the space does not stand idle. "That," says Stansfield, who has been involved in drafting the new rules, "is an incredible waste of resources, and an incredible imposition on the public and the police."

The proposed changes would require Crown prosecutors to discuss with defence lawyers what sentence a defendant could expect in return for a guilty plea. They would also institute a proceeding new to British Columbia: an arraignment hearing at which both sides would have to assure a judge that all pretrial manoeuvring was done—while the defendant would have to show that he can be relied on to appear in court. Only then would the case receive a docket date. The goal, says Metzger, is a more predictable and swifter process. "It is the same justice," he insists, "but earlier."

Lawyers who have watched the B.C. reforms at work so far have mixed feelings about their extension into new areas of justice. In family disputes, the emphasis on out-of-court settlements "has worked well," says Vancouver lawyer Robin Stewart. "They reduced the number of cases that go to a hearing. That's always positive in family cases." Stewart expects the new rules in other areas of family law to be "helpful." But defence lawyer Greg Delbigio has reservations about the new requirements being contemplated for criminal cases. Plea-bargain discussions, he insists, "already take place between responsible counsel in any event." And he questions whether adding a new procedural step—the arraignment hearing—will reduce court work loads. "My perception of the reforms which have worked," Delbigio says, "is that they have centred on more flexibility and accommodation, rather than more formality. I remain unpersuaded."

Back in Gallagher's conference room, the mediation efforts continue. After 20 minutes of discussions between the car buyer and service manager, she senses an opening. "Here's a client who may well buy more cars," she reminds the service manager, pointing out that the buyer, overall, likes his car. "Is there any way to twist this into a satisfied customer?" The service manager considers this. Minutes later, the two men shake hands on an exchange of $120—and no further claim that the part was faulty. "It's providing an environment," Gallagher reflects on her work, "where people can take back the problem and solve it themselves." British Columbians may soon discover whether the same spirit can bring swifter justice to criminal cases as well. □

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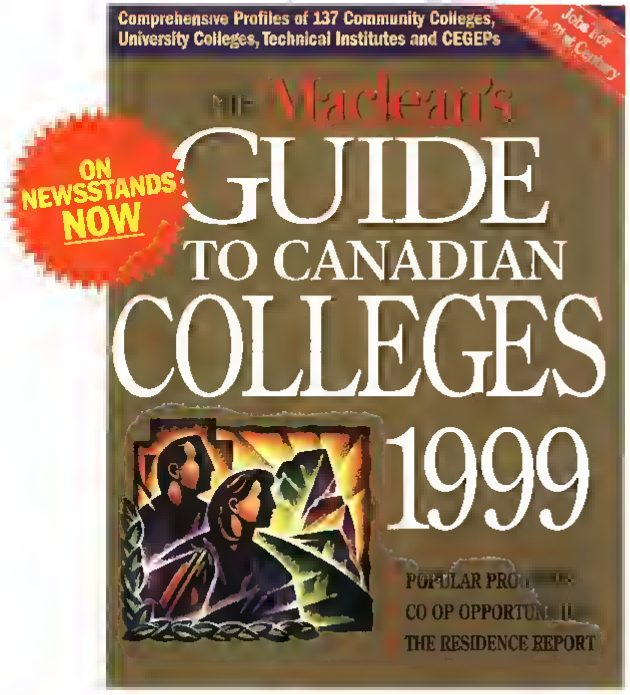
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Striking a nerve

A child pornography ruling may be overturned

BY PATRICIA CHISHOLM

Shana Chetner doesn't mince words. Child pornography is sexual abuse, the youth counsellor for Greater Vancouver Mental Health Services says, and abuse leads to damaged adults. "The children are exploited and coerced," says Chetner, who has worked with troubled teenagers for nine years. "There is no such thing as consent, because of the power imbalance that exists between kids and adults—refusal is not an option in their minds." Often, she says, children who are used to make pornography end up as prostitutes, convinced that they are nothing more than sexual objects. It doesn't help, she says, when courts make decisions like the one released on Jan. 15 by the B.C. Supreme Court, throwing out the six year-old law that makes it an offence to possess child pornography. "It's frustrating when you try to work in a system that doesn't support what you are doing," she says. "It sends a message to the kids that society thinks child pornography is OK."



Sharpe: even civil libertarians were qualified in their support

Her dismay was widely shared. Canadians used call-in radio shows, letters to the editor and politicians' fax machines to register impassioned complaints about the ruling. The face of 65 year-old John Robin Sharpe—the retired city planner and advocate of sex with children who convinced B.C. Supreme Court Justice Duncan Shaw that the law is an unjustifiable violation of privacy and freedom of expression—was plastered on warning posters throughout his Vancouver neighbourhood of Kitsilano. And B.C. Attorney General Ujjal Dosanjh quickly announced that the province will appeal the decision to the B.C. Court of Appeal, while federal Justice Minister Anne McLellan said Ottawa will defend its law if the case eventually reaches the Supreme Court of Canada.

Even civil libertarians, normally staunch defenders of free speech, were qualified in their support for the ruling. John Westwood of the B.C. Civil Liberties Association said his group wants products of the imagination—like stories and drawings—removed from the Criminal Code's definition of child pornography. The possession of material that uses real children should still be prohibited, he said. Kathleen Mahoney, a specialist in human rights and constitutional law at the University of Calgary, believes Shaw erred and that his ruling will be overturned. The judge, she said, put too much emphasis on the right to privacy and failed to fully consider the competing problem of sexual abuse of children. "It has been public policy in Canada, forever, that adult sex with children is not a good thing," she said.

So far, the only courts that must follow the decision are British Columbia's lower courts. Until the appeal is heard, the province's Crown prosecutors are asking for adjournments in cases involving possession of child pornography (Criminal Code provisions dealing with making, selling and distributing child pornography are unaffected). But among the public, there has been a groundswell of anger and apprehension, including at least one death threat against Shaw. Eric Vanderham, an Abbotsford-based pollster and market researcher, says the decision is "wildly unpopular" and could aggravate growing discontent over so-called judge-made law. "People worry about too much power in too few hands," he said.

Such fears have struck a nerve across the country. Gary Rosenfeldt, head of Ottawa-based Victims of Violence, the group he helped found after his son was murdered by serial killer Clifford Olson, said that too often, the courts undermine the intent of legislatures. But Mahoney cautions that one case should not be the basis for condemning the judiciary. "Judges make mistakes all the time—that's why we have an appeal process," she said. "To suggest that judges shouldn't be able to judge is ludicrous."

Investigators say they are facing more immediate concerns. Det.-Insp. Bob Matthews, who heads the child pornography unit of the Ontario Provincial Police—by far the country's largest with 15 officers—says the law criminalizing possession is crucial when it comes to finding child pornographers. "Removing that part of the law would be devastating to police. That is what we use to get most search warrants and warrants are the only way we can search for evidence of selling and distributing." Matthews adds that in his 11 years working in the area, he has seen the incidence of child pornography explode, especially since the Internet became widely accessible in the mid-1990s. Even though his unit doubled in size last year, Matthews said police are still "barely scratching the surface."

Dan Nugent, 30, has firsthand experience with what it feels like to be on the receiving end of a pornographer's demands. Now staying in a Vancouver alcohol and drug treatment centre, Nugent began working as a prostitute when he was 15. He was often approached to pose for pornographic pictures, he says, because of his boyish looks. Once, he obliged, but then regretted the decision and took the Polaroid pictures with him. He says the court decision, which he finds "sickening," will only make things easier for child pornographers. "It gives them the freedom to do what they want," he says. "And once the ball gets rolling, it gets harder and harder to stop." □

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Bruce Wallace



Politics on the high wire

Brian Tobin's ambitions for national leadership are so transparent that most Liberals just exchanged knowing smiles over the timing of his election call last week. Every Liberal has the exuberant Newfoundland premier down as a contestant on their leadership dance card for the day when the Prime Minister calls it quits. And with Sheila Copps no longer a force for the future and Allan Rock seemingly unable to shake the black cloud of trouble, a "Why not Brian Tobin?" campaign may be all that's left for those Liberals who don't want Paul Martin to ascend to the top job without a fight.

Tobin certainly believes in his own star. He has become the carnival barker for Newfoundland, travelling the country to promote the province and himself like few premiers before him. Tobin contends that Joey Smallwood, Newfoundland's original premier, travelled even more. But like New Brunswick's irrepressible Richard Hatfield, Smallwood preferred to sample pleasures outside Canada. Tobin's ambitions are domestic. No prizes for guessing why. Vancouver businessmen will ante up $1,000 a plate to hear Tobin tell jokes—and it has little to do with cares for the fortunes of the Newfoundland Liberal party.

Equally eager that his leadership should not pass to Martin by divine right, Chrétien is known to smile fondly on Tobin—even if he still finds his former fisheries minister's ways maddening at times. Tobin can be a little too chummy with Quebec Premier Lucien Bouchard for the PM's taste (like many premiers, Tobin is sure he knows just how to handle Bouchard). And the Chrétien crowd claims the Prime Minister finally had to rein Tobin in when his Teddy Roosevelt act threatened to turn the 1995 turbot war against Spain from a battle of sound bites to something more dangerous. But Chrétien sees something of himself in the younger Newfoundlander: a politician who is consistently underestimated, who is smarter than people think, and who is too often dismissed as merely a populist.

But unlike Chrétien, Tobin likes his politics on the high wire. He cut a deal with Quebec on the Churchill Falls power project that erased some of the hurt from Smallwood's awful original one. He dreams of laying a transmission line to the island under the seabed from Labrador. And once that's down, it is whispered in St. John's that he wants to widen it into a traffic tunnel linking the island to the mainland. That would require Ottawa to transfer billions of dollars more from the richer have provinces to the biggest have-not of them all. But Tobin likes to aim high. So what if critics say he talks too much and listens too little.

Well, actually it does matter. Tobin is, by his own admission, a terrible listener, and some of his old federal colleagues are losing patience with his mouth. It is one thing to mock and attack Martin as a cruel bean counter when the finance minister balks at sending fistfuls of cash Newfoundland's way. Just more leadership positioning, Liberals say. Marking out the turf to Martin's left. But some found it a bit more galling last December when Tobin flip-flopped and decried the deep spending cuts he himself had presided over during his days as a federal cabinet minister.

> **Brian Tobin's unrelenting attack on Inco has the potential to undo his national dreams**

Yet it is Tobin's unrelenting rhetorical attack on Inco, the multinational nickel producer that has the potential to undo his national dreams. Threatening to prevent Inco from developing the Voisey's Bay nickel site until the company builds a $1.5-billion smelter and refinery in the province to process the stuff is certainly good local politics. Standing up to a multinational to demand more and better jobs may be the right thing, politically at least, for a premier of Newfoundland to do.

But it is definitely not the best *Canadian* approach. Inco already has smelters in Thompson, Man., and Sudbury, Ont., so Newfoundland's win would be their loss, a nasty zero-sum game between regions. What if the company—faced with cratering international nickel prices and the option of developing a competing site in New Caledonia in the South Pacific—calls the premier's bluff and pulls out of Voisey's Bay? That would remind people that rhetorical bluster can sometimes backfire—with painful consequences. And miscalculation is not what Canadians tend to look for in their national leaders.

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HUNGRY FOR JUSTICE

In Alberta, Wiebo Ludwig and Richard Boonstra began a hunger strike to protest their arrests for vandalism against oil and gas wells. Denied bail, both men face nine charges. Ludwig claims police set him up. The pair blames sour-gas releases from wells for miscarriages and stillbirths.

MAKING MOVIES

A committee of film executives recommended that federal policy focus on creating a $150-million fund for Canadian movie productions. The committee suggested the money be provided by Ottawa, private and public broadcasters and distributors. It called for an end to a tax break for Hollywood films made in Canada, a move that by itself would raise $55 million.

LEGAL LASSITUDE

Retired Quebec Appeal Court justice Fred Kaufman, appointed last July to examine problems among Nova Scotia Crown attorneys, reported that prosecutors suffer from a "disturbing malaise." Kaufman listed a litany of problems effecting Crown attorneys, including poor pay and weak leadership. Critics have lashed out at the prosecutors' office for, among other things, its failure to lay charges in the Westray mine disaster. The Crown also lost its case against former premier Gerald Regan, who faced eight sex-related charges.

BUDGET COUNTDOWN

The federal government announced that Finance Minister Paul Martin will table his next budget on Feb. 16. The Liberal caucus last week wrapped up two days of discussions on budget priorities even though the exact amount of the expected surplus has yet to be determined. Estimates suggest it will be about $7 billion, and could be divided among areas like health care, tax cuts and debt relief.

B.C. FERRY FIASCO

The cost of building three new high-tech car ferries, highly promoted by Premier Glen Clark, has soared to more than $300 million from $210 million. Tom Ward resigned as president of the publicly owned B.C. Ferries Corp. before release of the latest cost overruns. The shipbuilding problems have driven the Crown corporation's debt to nearly $1 billion from $75 million in a decade.



THE BIG HOLE: In Montreal, a 350-square-metre panel of the Olympic Stadium's new $37-million Tellon roof gave way while 200 workers were setting up an auto show. Five people were slightly injured as tons of snow fell to the ground. The collapse was only the latest in an interminable list of structural problems and cost overruns that have earned the stadium the nickname of "the Big Owe." Built for the 1976 Summer Games, the building did not have its $52-million retractable roof installed until 1987. It began tearing in 1989, and was replaced last fall with a fixed covering. Once the stadium is paid for in 2006, it will have cost Quebecers $2.7 billion.

Final minutes

The lead investigator into the crash of Swissair Flight 111 angrily disputed an American newspaper report that there was a disagreement between the cockpit crew in the doomed MD-11 jet's final minutes before it crashed into the ocean off Nova Scotia last Sept. 2. According to *The Wall Street Journal*, which said it had obtained a summary made by Canadian investigators of the conversation between pilot Urs Zimmermann and co-pilot Stephan Loew, Loew urged landing the plane as quickly as possible after smoke began to fill the cockpit. But Zimmermann, 50, wanted to first follow a detailed safety checklist. At one point, said the report, as the plane circled during its emergency approach to Halifax, Loew, 36, asked to reduce speed because he was concerned the manoeuvre was taking them too far from the airport. Zimmermann responded that he "didn't want to be interrupted" so often as he went through the checklist. Eight minutes later, the plane went down, killing all 229 people onboard.

But Vic Gerden, lead investigator of the Transportation Safety Board of Canada, said the crew did not argue, that their conversation was "professional" and the *Journal*'s report was "misleading and inaccurate." Gerden said such reports can be harmful to the victims' families. He added that at least Loew was in his seat at impact, ending speculation that the pilots fled the cockpit because of intense heat. Experts have already speculated that a massive electrical fire caused the crash.

Sex and equal rights

Anne McLellan says yes, but the Prime Minister says no. That, at least, was the confusing impression last week after the justice minister suggested that the federal government is preparing to recognize the spousal rights of same-sex couples. Not quite, said Jean Chrétien soon after, indicating that while the government was "looking" at the issue, such legislation was "not on the agenda at this time." Ottawa is currently facing an ambitious lawsuit, launched by the Foundation for Equal Families, a homosexual lobby group, that seeks changes to 58 federal statutes. Since 1995, gay and lesbian activists have consistently won court battles over laws that define "spouse" only as a person of the opposite sex.

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VASILY KRYE /REUTERS

KILLING FIELDS

An ugly massacre in Kosovo sparks new NATO threats

BY BARRY CAME

From the moment she first learned of the massacre, Louise Arbour knew the time had finally come to throw down the gauntlet. For months the forthright Canadian jurist who is chief prosecutor for the United Nations' war crimes tribunal had hoped that quiet diplomacy might coax Yugoslav President Slobodan Milosevic to lift the ban on her investigations in the strife-torn province of Kosovo. But the situation changed dramatically after the atrocity in the Kosovo village of Racak, where 45 ethnic Albanians were butchered, apparently by Serbian police. "It just screamed for our immediate attention," said Arbour, interrupting her hectic schedule for a 30-minute conversation late last week in her offices in The Hague. "I decided to force the issue because Racak is critically important. How can there ever be any hope of political compromise in Kosovo if killings like these are constantly used as propaganda tools because the real truth is never exposed?"

In pursuit of that goal, Arbour early last week led her team of UN investigators first to rugged Skopje, then overland from the Macedonian capital to the frontier with Kosovo, the southernmost province in the Serbian part of Yugoslavia. Twice, she and her team were turned back by Yugoslav border guards, ostensibly because they lacked visas—an impediment she dismissed as "nothing but a smokescreen." Arbour made several attempts to circumvent the legal issues by passing messages to Milosevic through Yugoslavia's justice minister, but each failed to draw any response from the Yugoslav president. By midweek, she was back in The Hague, having left her investigators behind in Macedonia in case authorities granted an acceptable form of access to the scene at Racak. "I'm hopeful that something can be worked out," she said at week's end, noting that several "ongoing initiatives" were being pursued. But even if nothing happens, Arbour does not believe the effort has been entirely wasted. "International justice is a new part of conflict management," she argued. "Politicians are sometimes quick to resort to military threats. We have to make sure that they don't forget there is now a new weapon in the arsenal of peace, which is justice."

In the long run, that may well be true. For the moment, however, Kosovo seems to be sliding closer to war. Diplomatic efforts intensified to find a political solution to the conflict between the independence-minded ethnic Albanians, who form 90 per cent of the province's population, and their Serbian overlords. But at the same time, NATO was busily marshalling a vast armada of warships and aircraft, ready to inflict punishment on Yugoslavia for Milosevic's stubborn refusal to abide by the terms of the cease-fire agreement he signed last October with U.S. mediator Richard Holbrooke. NATO demanded that Milosevic withdraw Yugoslav military and police units from Kosovo, allow Arbour to investigate the Racak killings, and rescind his order expelling U.S. Ambassador William Walker, head of the 750-member team of truce "verifiers" from the 54-nation Organization for Security and Co-operation in Europe, which includes 32 Canadians.

Milosevic ordered Walker out of Kosovo after the American blamed Serbian forces for the Racak massacre. "Although I am not a lawyer, from what I personally saw, I do not hesitate to describe the event as a massacre, a crime against humanity," Walker declared after visiting the village. "Nor do I hesitate to accuse the government security forces of responsibility." Late in the week, Milosevic grudgingly suspended Walker's expulsion.

Independent observers and local witnesses supported Walker's view of the killings, which began in the early hours of Friday, Jan. 14. Villagers said Yugoslav army and Serbian police units began shelling Racak between 6 and 7 in the morning. "The soldiers came into the village and told the men to put their hands on their heads," said Shefqet Mushu, 34, a villager who witnessed the attack. "Then, they told them to run and as they were running they were shot down." Among the dead, many shot in the head at close range, were several old men, women and children.

Despite the evidence, officially confirmed late last week by the OSCE monitors, the Yugoslav authorities had a radically different view of what happened. Government officials, including Milosevic, claimed the dead were Kosovo Liberation Army guerrillas killed in battle, whose corpses were then rearranged. Shortly after the incident, international observers watched in amazement as Serbian police units in armoured vehicles surrounded the village once more, shelled it and swept in to make off with the bodies, which had been laid out in Racak's mosque. The struggle then moved to a decrepit morgue in Kosovo's regional capital of Prishtina, where competing investigation teams from the OSCE, the former Soviet republic of Belarus, Finland and Serbia all looked at the remains.

The massacre and Milosevic's obstinate actions afterwards—targeting Walker, barring Arbour, intentionally snubbing NATO commander Gen. Wesley Clark—spurred speculation that the Yugoslav leader may be deliberately courting a showdown with NATO. "We're trying to put feelers out at every level into ruling circles and the message we're getting back is that Slobo [Milosevic] wants war," confided a Western diplomat in Belgrade. Why would he actively seek a conflict that, given the muscle of the world's most powerful military alliance, he can only lose? A commonly held theory is that he secretly favours getting NATO troops into the province, since the alliance's members want Kosovo to remain in Yugoslavia. "He's found himself in a stalemate in Kosovo and he's nervous," said a well-connected Serbian political observer in Belgrade. "It would be useful to have ground troops to do his job for him. But of course he cannot invite them in. They can only come with a small war."

Few put such tactics past the wily Yugoslav leader. "Milosevic is a man who rules by a constant production of crises," observed Vuk Obradovic, a former Yugoslav army general who now heads a tiny opposition party in Serbia. Moreover, the president has long demonstrated that he is a machiavellian figure. It is one of the secrets of his longevity—and one of the reasons his once-proud nation now lies shattered.

With CHRIS BIRD in Racak

Bodies in Racak: a top U.S. diplomat blamed Serbian forces for 'a crime against humanity'

QUEST FOR TRUTH

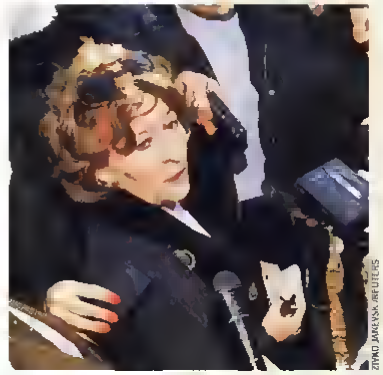
Former Ontario judge Louise Arbour, chief prosecutor for the United Nations International Criminal Tribunal in The Hague, talked with Maclean's London Bureau Chief Barry Came last week about her unsuccessful attempt to enter Yugoslavia to investigate a massacre in the Kosovo village of Racak. Excerpts:

Maclean's: *Why did you choose Racak to force the issue? It's not the first atrocity to happen in Kosovo.*

Arbour: There were calls in the past for us to be more proactive, it is true. But I believed that if we really pressed hard with Yugoslavia, we would be in exactly the position we are in now. I thought it was more important to be low-key, not embarrass the Yugoslavs, so that at least the doors would not be locked and we could get into the place and gather some information.

Maclean's: *And Racak changed that?*

Arbour: We have been locked out ever since the Holbrooke-Milosevic agreement last October, when Yugoslavia decided that we had no jurisdiction, that we were not in the agreement and we should get out of the picture. That forced us to press the issue. I made a decision to go to Kosovo last fall with 10 of my staff. I was denied entry. From then on, as I had predicted, if the matter came to a real public head they would freeze in their position. Now our only alternative when events like Racak occur is to go for maximum publicity in the hope of mobilizing public opinion and diplomatic support so that we can do our work.



DAVID LAWSON /REUTERS

Arbour at the Macedonian border: maximum publicity

Maclean's: *Is it your impression that President Milosevic himself makes the decision to keep you out?*

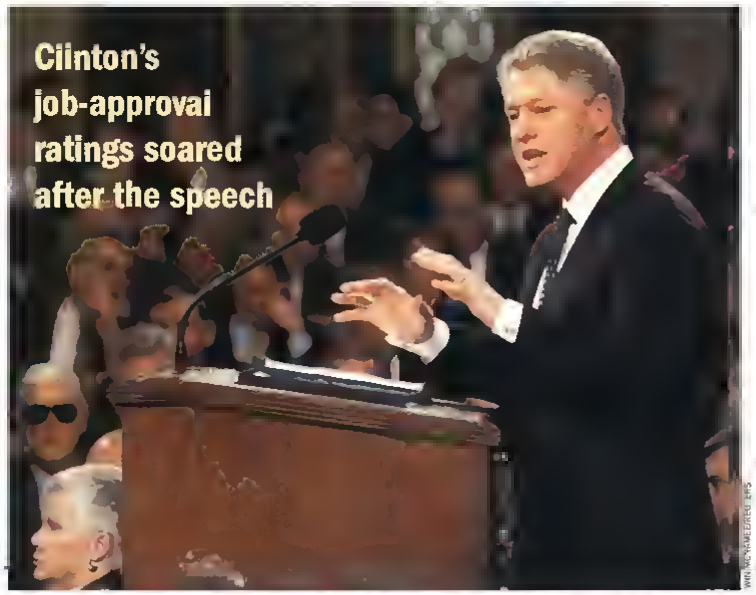
Arbour: No question that Milosevic decides. When I was making requests through the minister of justice while I was in Macedonia, there was never any doubt that it was only Milosevic who could make the decision to let me in.

Maclean's: *Why is it so important to find out what happened in places like Racak?*

Arbour: If the truth is never discovered, these events become propaganda vehicles for each side to blacken the other. But nothing is ever real. There is no credence to anybody's claims. It's just more fuel for one side to accuse the other and manipulate international public opinion. It's more than a question of simple justice, or even truth. What's really important is to provide another way to give these victims some kind of security so that they know whoever is abusing them is going to be punished. And maybe in the longer run these villagers will no longer be at the mercy of whoever it is who is abusing them.

Comeback Kid—The Sequel

ANDREW PHILLIPS
IN WASHINGTON



Clinton in Congress: a growing feeling among conservatives that impeachment is their Vietnam

You know things are going well when your opponents start squabbling among themselves. For Bill Clinton, news of disarray in the enemy camp could hardly have come at a better moment—or from a more unlikely source. His impeachment trial in the United States Senate was still grinding on last week when Pat Robertson, TV evangelist, conservative stalwart and rock-hard Republican raised the white flag. Robertson went on his "700 Club" religious broadcast and conceded that the President had already won the political battle for the hearts and minds of Americans. "From a public relations standpoint, he's won," Robertson said. "They might as well dismiss this impeachment hearing and get on with something else, because it's over as far as I'm concerned."

Robertson, of course, has no vote in Clinton's case. Only the 100 members of the Senate, gathered as a court for just the second time in American history to decide whether a President should be ejected from office, will rule on his fate. But Robertson gave voice to a growing feeling among conservatives that the impeachment fight has become their Vietnam: an honourable war that they simply cannot win because the people are not with them. It is time, many started to conclude last week, for peace—with honour if possible. The tide was turning for Clinton both inside the Senate, where a battery of White House lawyers put on a strong defence for him, and outside, where the President delivered a well-received state of the union address that sent his approval ratings even higher. By week's end, there were unmistakable signs that the impeachment train was running into the sand.

The most striking indication came from a veteran Democratic senator, 81-year-old Robert Byrd of West Virginia. The famously independent Byrd was widely seen as the Democrat most likely to desert Clinton and side with Republicans to pronounce him guilty on the charges of perjury and obstruction of justice brought by the House of Representatives. The Senate has 55 Republicans and 45 Democrats—so a dozen Democrats would have to desert their President to reach the 67 votes required to convict. If there was going to be an eventual crack in the Democrats' solidarity, went the thinking, Byrd would be at the heart of it. But Byrd surprised them by announcing that he would propose a motion early this week to dismiss the case entirely. "I have become convinced," he said, "that lengthening the trial will only prolong and deepen the divisive, bitter and polarizing effect that this sorry affair has visited upon our nation." And, he added, he was driven by a more pragmatic calculation: the 67 votes "are not there . . . and they are not likely to develop."

The twist is that when senators vote on Byrd's motion, they will probably reject it. Senior Republicans made it clear that they were not prepared to throw out the case so soon, no matter how unlikely convicting Clinton might be. The general public may want a speedy end to the impeachment saga, but Republican senators must also ensure that they do not anger the conservative activists who form their reliable base of support. At the same time, they do not want to humiliate their fellow Republicans from the House of Representatives who approved two articles of impeachment against Clinton and are prosecuting him on the Senate floor. But Byrd's announcement ended any doubt that Democrats will side with the President, and sent some Republicans scurrying to find ways to cut the proceedings short.

One top Republican senator, Orrin Hatch of Utah, suggested that the Senate might simply vote to adjourn the trial. That would leave the ultimate judgment on Clinton hanging, but, as Hatch noted, it has the benefit that "it ends the battle." But the chief prosecutor, Representative Henry Hyde of Illinois, told the senators: "By dismissing the articles of impeachment before you have a complete trial, you are sending a terrible message to the people of the country. You're saying, 'I guess, perjury is OK if it's about sex. Obstruction is OK, even though it is an effort to deny a citizen the right to a fair trial.'"

This week, the senators will also decide whether to hear evidence from witnesses, a crucial vote that will determine whether the trial ends quickly or turns into drawn-out legal trench warfare. The prosecutors especially want to call Monica Lewinsky, whose affair with Clinton set off the year-long scandal, Clinton's secretary Betty Currie, and his friend Vernon Jordan. On Saturday, they won the right to question Lewinsky in private, prior to her possible testimony on the Senate floor.

For their part, Democrats want to grill Kenneth Starr, the indefatigable independent counsel who accused the President of committing perjury and obstructing justice. But even if only a handful of witnesses are permitted, White House lawyers warned, the trial could drag on for months as the case bogs down in duelling legal manoeuvres.

Clinton's case was bolstered by a strong defence from his lawyers, who argued that the President did not commit the crimes he is charged with. Clinton's dalliance with young Lewinsky may have been "indefensible, outrageous, unforgivable, shameless," as former Arkansas senator Dale Bumpers argued eloquently on the President's behalf during the trial, but his behaviour was not criminal. White House lawyers poked holes in the prosecutors' charge that Clinton ordered Jordan to find Lewinsky a job to keep her quiet, and that he told Currie to hide gifts he had given the young woman. Clinton, they argued, was not trying to interfere with Paula Jones's sexual harassment lawsuit against him or with Starr's investigation. He was just trying to do what any married man would do: stop the embarrassing affair from becoming public.

But Clinton's best defence was in his own hands. Five hours after his lawyers ended their first day of defending him in the Senate, he strode into the House chamber for a hallowed ritual of the American political calendar—the President's annual state of the union address to Congress. Cheered by Democrats, applauded with strictly correct politeness by Republicans, Clinton laid out his wish list for the coming year. It was among the most ambitious of his six years in office, centred on a proposal to strengthen the U.S. social security system by investing part of its funds in the stock market for the first time. With Washington projecting budget surpluses totalling a staggering $6.7 trillion over the next 15 years, Clinton also proposed more money for medicare, the military, farmers, modernizing schools and long-term health care.

Presidents usually get a popularity boost from the state of the union, and last week was no exception: the first poll after the speech showed Clinton with an extraordinary job-approval rating of 76 per cent. Twenty thousand people came out to cheer him the next day in Buffalo, N.Y., sending a loud message to the senators. Robertson told his "700 Club" audience that the impeachment fight was effectively over. And the Senate was left to find a way out—to declare victory and go home. □

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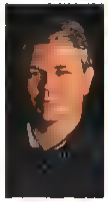
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ANDREW PHILLIPS Washington

Swooning over women

Who says Americans are turned off by politics, cynical about politicians? The truth is they can still get giddy about the right politician—especially if she has star quality and a famous name. Two women, Elizabeth Hanford Dole and Hillary Rodham Clinton, are inspiring the kind of swooning speculation that most political figures would kill for. Too bad there's a lot less there than meets the eye.

The buzz about Dole, 62, began in early January when she announced she was quitting as president of the American Red Cross, and might be preparing a bid for the Republican presidential nomination in 2000. Instant polls tied her with the early favourite, Texas Gov. George W. Bush. The pundits gushed: here was a charismatic woman who could put a softer face on the sourpuss Republicans and counter the Democrats' advantage among female voters. Just as important in the wake of Monicagate, here was someone whose implicit slogan, as one commentator put it, might well be "I won't embarrass you in front of your children."



Dole and Clinton: lots of buzz, but less there than meets the eye

Feel the excitement! In Dole's home state of North Carolina, 10 high-school students staged a 500-km run to encourage her to get into the race (their inevitable slogan, with a nod to Forrest Gump: "Run, Liddy, Run"). Supporters already have two draft-Elizabeth Web sites up and running. Even her dog, a miniature schnauzer named Leader, has his own Web site (*www.firstdog.com*) left over from her husband Bob's 1996 presidential campaign. Is this woman ready, or what?

So what's the problem? Leave aside the fact that Elizabeth Dole has never been elected to anything. Focus instead on what, if anything, she stands for. She came to Washington in 1967 as a Lyndon Johnson Democrat. Under Republican Richard Nixon, she became a registered independent. She switched to the Republicans just before marrying Bob Dole in 1975. As Ronald Reagan's secretary of transportation in the 1980s, she is best remembered for ordering automakers to add a third brake light to the rear of cars. After less than two years as George Bush's labour secretary, she became head of the Red Cross, where she had to steer clear of partisan issues. No one knows where she stands on tax cuts, social security reform, abortion rights—any of the tough questions that candidates must face. Her supporters' Web site includes this disclaimer, startling for someone being taken so seriously as a presidential contender: "At this time, there is no information on Elizabeth Dole's official positions on any issues. As soon as she makes her views known, we will post them."

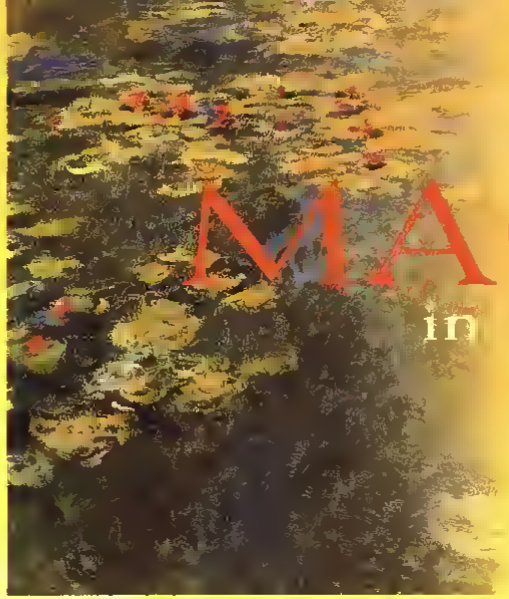
The Hillary Clinton bubble is even bigger and, if anything, even less substantial. As 1998 crawled to its exhausted close, the glow around her could hardly have been brighter. The more humiliated she became, it seemed, the more Americans embraced her. She was on the cover of *Vogue*; Gallup found she was one of the most admired women in America (along with Oprah Winfrey and, yes, Elizabeth Dole). Wouldn't it be splendid, went the thinking, if she did something really dramatic like ... running for the U.S. Senate in New York next year? No one knows exactly where the notion came from, but a close political ally of the Clintons, Senator Robert Torricelli of New Jersey, gave it a big boost when he predicted that she would enter the race. The august *New York Times* ran a lead editorial welcoming a Clinton candidacy. *New York* magazine touted the idea on its cover last week, calling it "the Mother of All Scenarios"—Hillary seeks political redemption in the Big Apple.

Trouble is, there's even less evidence that she might run than there is of what Elizabeth Dole stands for. Clinton, 51, has not flat-out denied the possibility—perhaps just for the amusement value of watching the speculation run wild. But it makes next to no sense. She would have to establish official residency in New York, technically moving out of the White House while her husband still holds the keys to the building. She would probably face formidable competition from the ambitious Republican mayor of New York City, Rudolph Giuliani. Most important, a seat in the Senate would be a step *down* for a former First Lady with global ambitions and a pressing need for some big paycheques to get those enormous Whitewater legal bills under control.

So don't hold your breath for a Dole or a Clinton to dominate the political scene in 2000, however tempting the idea may be. But the undeniable enthusiasm for both women says some important things about American politics, post-Lewinsky. Some criticize the two for hitching their ambitions to their husbands' careers, instead of using their formidable intelligence and drive on their own behalf. But more people, especially more women, give them credit for drawing strength from what so many women spend much of their lives doing—building and maintaining relationships. Marie Wilson, president of the White House Project, a campaign to have one of the two major parties run a woman for president by 2008, calls it "relational power." The subliminal message, she says, is "You've seen what I can do as a spouse. Wait till you see what I can do on my own."

A lot of it, though, is simple scandal backlash. Bill Clinton's indiscretions have forever inoculated female candidates against the old slur that they are somehow ruled by their hormones. Wilson says she senses a shift in the wind. "The whole climate has changed. People are actually seeking differences in politics." After the past year, who wouldn't?

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Twenty-two paintings from the premier French Impressionist's water lilies period are on loan from the Marmottan Museum in Paris

Montreal Museum of Fine Arts
January 28 to May 9, 1999

Monet
AT GIVERNY
MASTERPIECES FROM THE MUSÉE MARMOTTAN
FROM JANUARY 28 TO MAY 9 1999

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ARTS à la Montréal

Montréal has long been admired for its vibrant cultural scene When it comes to the performing arts, the key word is variety, and the prestigious Place des Arts is the venue of choice This is where you'll find the renowned **Orchestre symphonique de Montréal** (514) 842-9951, **Les Grands Ballets Canadiens** (514) 842 2112, or the **Opéra de Montréal**, which will be staging the popular Carmen in February (514) 985-2258

Museums are an important part of Montréal's cultural landscape, and there's one to satisfy every passion from classical history to architecture

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Showing all year

Montreal Museum of Fine Arts
Monet at Giverny
January 28 to May 9

Pointe-a-Callière
Montréal Museum of Archaeology and History
Treasures of the Steppes
Runs to February 28

Canadian Centre for Architecture
Irene Whittome Embarkation for Katsura
Runs to April 21

Stewart Museum at the Fort, Île Sainte-Hélène
Napoléon
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March 4 21

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Having
February 16 - March 28

Waiting for Godot
March 23 April 18

THÉATRE SAINT-DENIS
Notre-Dame de Paris
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Admission Ticket Network
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CUISINE à la Montréal

Cuisine for the connoisseur

This is a city where appetites are indulged Montréal has earned AAA's gastronomic capital of the world title again and again

Indulge yourself

Of course Montréal is renowned for its *cuisine française* both classic and cutting edge, but gastronomic aficionados can also find any other type of culinary adventure they might wish to experience The cuisine of no less than 75 nationalities is celebrated in thousands of intriguing restaurants, bistros, cafés and bars at any time of day—and well into the night

Dine à la Monet

Many of Montréal's fine restaurants are paying homage to Monet the gourmet The Ritz-Carlton's famous Café de Paris is offering a menu of recipes from the artist's diaries and at the Casino de Montréal's *Salon Baccara* executive chef Jean Pierre Curtat is preparing dishes taken from Monet's own recipe book A special vintage of red and white Bordeaux will be available at the Museum of Fine Arts Boutique and on the wine list of fine restaurants

You can even bring your own wine

Wine is an integral part of fine dining for most of us, but elaborate wine lists can be pricey A number of restaurants in the lively Latin Quarter and elsewhere in the city have a popular—and affordable "bring your own wine" policy Wine can be purchased at SAQ outlets, many of which are open late as well as on Sundays

Tasty Ideas

- Dine in style at a restaurant on the Mobil Travel Guide's 5-star list **Nuances** at the Casino de Montréal (514) 392 2708, or the renowned **Beaver Club** at the Queen Elizabeth Hotel (514) 861-3511
- Sample Montréal's unique breakfast fare buttery **croissants**, fresh baked **bagels**, and the best **café au lait** you can find
- Drop by a deli and try our world-famous **smoked meat**
- Share an intimate evening start with a candlelit dinner of **cheese fondue**, on rue Saint-Denis, then head to one of the popular **cafés or cigar lounges** on boulevard Saint-Laurent for after dinner conversation

For detailed information on current performances and exhibitions visit us at www.tourism-montreal.org/962 In addition to our calendar of events you'll find restaurant and accommodation guides, shopping information—even the current temperature in Montréal

Montréal

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SHOPPING
à la Montréal

Shopping is a fine art in Montréal and while Monet is in town there's even more to see— shops are decked out in Impressionist colours and themes This is the perfect time of year to discover the season-proof underground city—from its heart under Place Ville Marie 30 km of pedestrian walkways and the Métro reach out to eight shopping centres, as well as department stores, hotels food courts cinemas, hairdressers, banks, museums and the Place des Arts As for boutiques, there are more than 1,700 in the down town area

Bon shopping

In Montréal, when it comes to shopping, anything goes You'll find the latest fashions along rue Sainte-Catherine and the Quartier du Musée on Sherbrooke, or in the many downtown boutiques devoted to local designers You could spend many rewarding hours in the antique shops along rue Notre Dame between Atwater and Guy, discovering curios and treasures And rue Saint-Paul is the place to go for fine art Whether it's in fashion or furnishings, antiques or the work of artisans Montréal is a shopper's paradise

The Métro is a quick and affordable way to get around
For information on Métro passes call (514) 288-6287





Ideas for winter fun

- Celebrate winter with activities for the whole family at **La Fête des Neiges** the winter festival that takes place on parc des Îles the first two weeks in February (514) 872-4537
- The Olympic Park's **Get an Eyeful pass** lets you visit the Montréal Tower the Biodôme (where you can explore four recreated natural ecosystems) the Botanical Garden (the largest in North America) and the Insectarium (514) 252-8687
- Catch the NHL's **Montréal Canadiens** on home ice at the Molson Centre (514) 790-1245

Exhibits & Shows

Montréal International Boat Show
February 6 to 14 (514) 252-3330

The Montréal Motorcycle Show '99
February 26 to 28 (514) 871-3170

Salon national de l'habitation
February 26 to March 7 (514) 252-8687

Wine, Beer and Spirits Show of Montréal
March 10 to 15 (514) 871-3170

Outdoor Activities Exhibition, Montréal Olympic Stadium
March 17 to 21 (514) 252-8687

The Summer Holiday Show Flowers, Plant and Garden Show
April 14 to 18 (514) 871-3170

So much more to do

Winter weekends are made for discovering Montréal's distinctive European flair If you want to spend a day in the spectacular outdoors, downtown has plenty of places to frolic Feel like cross-country skiing tobogganing or skating? You'll find them at Mount Royal Park, Park Maisonneuve or the Old Port

Monet Ice Sculptures

Montréalers celebrate and everyone joins in Outside the Île Sainte-Hélène métro station during la Fête des Neiges you'll thrill to the play of light in the shimmering ice images of Monet's Water-Lily Pond, an installation by photographer André Paradis

A world away not far away

Casino de Montréal

No trip to Montréal is complete without a visit to the spectacular Casino, one of the world's largest Five floors of excitement are equipped with 116 gaming tables, 3 000 slot machines, lively bars, impeccable restaurants, including the famed *Nuances* and the elegant new Cabaret du Casino theatre 1-800-665-2274

Show your Monet at Giverny exhibition ticket at the Casino and you'll be given a deck of Monet playing cards as a memento of a fabulous city that really knows how to play the game

Planétarium de Montréal

Revel in the marvels of the universe projected on a huge hemispheric dome (514) 872-4530

The Biosphere

A fascinating look at water, focusing on the majestic St Lawrence and the Great Lakes (514) 283-5000

Old Port

The heart of one of the oldest cities in North America In Bonsecours Basin, skating, sliding and lots of other outdoor activities 1-800-971-PORT

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HOLBROOKE UNDER FIRE

The candidacy of Richard Holbrooke, U.S. President Bill Clinton's choice to be ambassador to the United Nations, looked shaky after the justice department accused him of violating anti-lobbying laws. The alleged breach of ethics, which could result in a fine, involved contacts he had with U.S. officials in South Korea in 1996 after he left the state department and joined a bank. Holbrooke later played a key role in peace pacts in Bosnia and Kosovo.

WALKER LOSES APPEAL

A British high court rejected Canadian con man Albert Walker's appeal of his murder conviction. Walker was found guilty last July of killing Ronald Joseph Platt, a British man whose identity Walker had assumed in his bid to evade police. His lawyers said they will challenge the appeal decision in a little-used manoeuvre before the Court of Criminal Appeal, but legal experts said there was scant chance of success.

PEACE TALKS SUSPENDED

Colombia's brief peace process collapsed after representatives from the Marxist Revolutionary Armed Forces of Colombia suspended talks to end fighting that has claimed more than 35,000 lives in the last decade. The rebels said they would not negotiate until right-wing paramilitary groups are brought under control.

QUAYLE ENTERS RACE

Former U.S. vice-president Dan Quayle confirmed he will seek the 2000 Republican presidential nomination. Associates said Quayle, president George Bush's VP from 1989 to 1993, will build his campaign around a proposed 30 per cent tax cut across the board. In office, Quayle was mocked for failing to spell "potato" correctly, and he caused controversy by attacking the TV character Murphy Brown for having a child out of wedlock.

CLASHING OVER RELIGION

Terrified foreigners fled Indonesia's spice islands after Muslim-Christian fighting killed at least 45 people. The violence in the eastern city of Ambon was the bloodiest since May, when riots in Jakarta toppled autocratic president Suharto. Officials feared the religious fighting could spread as the world's largest Muslim nation grapples with severe economic problems.



AL JAZEERA/REUTERS

A KING'S RETURN:

Jordan's King Hussein embraces his younger brother, Crown Prince Hassan, on arrival at Amman airport. King Hussein, 63, was returning from six months of treatment for lymphatic cancer in the United States, which officials said was successful. Later, he told Hassan, 51, that he would no longer be heir to the throne, which the king inherited at 17 in 1953. Officials said his illness had convinced him to anoint one of his five sons from four marriages. The two front-runners are Prince Hamza, 18, the king's favourite by his current wife, Lebanese-American Queen Noor, and Prince Abdullah, 37, the eldest son by his second wife, Britain's Toni Gardiner.

Reforming the House of Lords

In an attempt to modernize the 800-year-old House of Lords, Britain's Labour party pushed ahead with its contentious plan to remove the voting rights of 759 hereditary peers in the unelected upper house. Reformers have argued for almost a century that the House of Lords is out-of-date and unrepresentative. Prime Minister Tony Blair now plans to replace the hereditary peers with appointed or elected members. He will also have to establish a new system for selecting life peers—the 507 members chosen due to their achievements. A royal commission will report on options by the end of the year. The changes are strongly opposed by the aristocracy, including Lord Strathclyde, the Conservative leader in the Tory-dominated chamber, who accused Blair of committing "constitutional vandalism."

The debate also divided the 18 hereditary peers who reside in Canada. George Monckton, 76, of London, Ont., the 12th Viscount of Galway, favoured the status quo, saying an appointed House would become an assembly of "party hacks and bagmen." But Ken Thomson of Toronto, the 2nd Baron of Fleet and head of a retail and newspaper empire, called for an elected body. So did retired oil worker John Caulfeild, the 14th Viscount of Charlemont, who calls himself the "blue-collar viscount." He told *Maclean's* in Toronto: "Blair has to clean up the deadwood to make it a more active body."

Mexico's Raul Salinas gets 50 years in jail

After a groundbreaking four-year trial, Raul Salinas de Gortari, 52, the brother of Mexico's former president, was sentenced to 50 years in prison. Salinas was found guilty of masterminding the daylight assassination of Jose Francisco Ruiz Massieu, a rising star in the ruling Institutional Revolutionary Party, in 1994. Prosecutors maintained he was murdered because he was a threat to the political power of the family led by then-president Carlos Salinas, who now lives in self-imposed exile in Dublin. Raul Salinas will appeal, arguing that the trial amounted to a political vendetta. He also faces charges in Mexico and Switzerland of amassing a fortune in illegal wealth.

THE BEST & WORST Mutual Funds



It was a rough year for most investors, but U.S. and foreign funds performed well

BY DIANE FORREST

In the front yard of his home in Miramichi, N.B., Bill Hare is struggling with his snowblower. The wind is howling and the temperature is -15° C, but it's still a lot more hospitable than the storm he weathered last year in the financial markets. The 61-year-old retired stockroom worker has been investing in mutual funds for 10 years, and for most of that time his returns have been excellent. But the outlook changed dramatically last spring when Asia's financial hurricane hit North American stock prices. "You're apparently doing good, then all of a sudden you're not," Hare says, reflecting on the downturn. By September, many Canadian equity funds had lost 30 per cent of their value, yet Hare hung in, hoping the storm would soon blow over. He finished 1998 with a slight gain in his six-figure retirement portfolio, thanks to a year-end recovery in stock prices and some smart investments in bond and European equity funds. "Last year wasn't as good as previous years," Hare says, "but it was better than nothing. I didn't fret, because I'm in for the long term."

While investors will remember 1998 as the Year of the Asian Flu—the economic whirlwind that touched off the steepest stock market drop since October, 1987—in some ways it was also the Year of Bill Hare and millions of other mutual fund holders who stood their ground while fears of a global financial meltdown battered many of Canada's biggest and best-known funds. Mutual fund executives had long worried that small investors might panic in the event of a major downturn, but most fund holders simply shrugged off the turmoil. Several big fund companies did report heavy withdrawals after the market drop in August, but what looked at the time like a crisis of confidence was actually large institutional players shifting cash out of money market funds and into other, more profitable short-term investments. And far from shrinking, the total amount of money invested in Canadian mutual funds continued to grow, to $394 billion as of Dec. 31, 1998, [illegible] year earlier.

The rewards for investors who did stick with it were decidedly mixed. The average Canadian equity fund—a staple ingredient in many retirement savings plans—lost a dismal 3.1 per cent in 1998, a far cry from the 13.6-per-cent average gain in 1997. Funds that invest in smaller Canadian companies did even worse—down 13.2 per cent for the year—while Canadian bond funds recorded an average gain of 7.1 per cent. The biggest rewards were reserved for investors who put money in foreign stock funds. U.S. equity funds rose a whopping 26.7 per cent on average, while European equity funds performed marginally better with an average increase of 28.8 per cent.

While 1998's final results were disappointing for some investors, a glance at this year's *Maclean's* mutual fund rankings suggests that investors who chose quality funds three or more years ago—and stuck with them through the markets' many ups and downs—have little to complain about. During the three years ending on Dec. 31, the average Canadian equity fund gained 17 per cent, while bond funds were up 28 per cent. (Many investment reports rank funds based on their returns in the most recent 12-month period, but *Maclean's* focuses on three- and five-year returns in order to give a better idea of how a fund has done in the medium and long term.)

The accompanying tables, which show the best and worst funds in six popular fund categories, were prepared by BellCharts Inc., an independent Toronto-based company that analyzes fund performance. In each category, BellCharts ranks funds based on three measures: the annual compound return over three years; the risk-adjusted return over three years; and the average annual return in each of the past five years. The figures shown are net of all management fees and are based on total re-

Maclean's BellCharts Rankings

WHAT THE RANKINGS MEAN

Three-year annual compound return: Annual compound return over three years to Dec. 31, 1998

Risk-adjusted three-year return: A ratio that measures return against the degree of risk. The number is arrived at by subtracting the amount of money an investor would have made over three years by investing in 90-day treasury bills (which are risk-free) from the fund's three-year compound return. The result is then divided by its standard deviation—a measure of volatility. The higher the final number, the greater the return for the amount of risk.

Average one- to five-year annual return: The average of the returns in each of the past five years. Shows which funds performed best in the medium term.

CANADIAN EQUITY *Funds that invest in shares of Canadian corporations (3 years, 152 funds; 5 years, 126 funds)*

TOP 10	3-YEAR ANNUAL COMPOUND RETURN		TOP 10	RISK-ADJUSTED 3-YEAR RETURN		TOP 10	AVERAGE 1-5 YEAR ANNUAL RETURN	
	AIC Diversified Canada	35.8		AIC Diversified Canada	6.2		Acuity Pooled Canadian Equity	21.2
	Acuity Pooled Canadian Equity	31.8		Acuity Pooled Canadian Equity	4.44		Bissett Canadian Equity	16.3
	Associate Investors Ltd.	23.6		Associate Investors Ltd.	4.37		Associate Investors Ltd.	16.2
	Scudder Canadian Equity	21.8		Scuddar Canadian Equity	3.81		PH&N Vintage	15.5
	Bissett Canadian Equity	21.4		Ivy Canadian	3.77		Tradex Equity Fund Limited	14.8
	Clean Environment Equity	18.8		Cundill Canadian Security A	3.49		Standard Life Ideal Equity	14.3
	Investors Summa	18.7		Bissett Canadian Equity	3.44		Cundill Canadian Security A	14.1
	AIM GT Canada Growth	17.8		Spectrum United Cdn. Investment	3.24		Ivy Canadian	13.9
	Tradex Equity Fund Ltd.	17.7		Universal Canadian Growth	3.22		Chou RRSP Fund	13.7
	PH&N Vintage	17.6		Investors Summa	3.08		Clean Environment Equity	13.7
BOTTOM 5			BOTTOM 5			BOTTOM 5		
	Middlefield Growth	1.2		Middlefield Growth	-0.71		Industrial Growth	0.8
	University Avenue Canadian	-0.4		Industrial Growth	-0.86		Trans-Canada Value	0.7
	Industrial Growth	-1.4		University Avenue Canadian	-0.67		Manulife Vista Capital Gains Growth1	-0.7
	Manulife Vista Capital Gains Growth 1	-5.3		Manulife Vista Capital Gains Growth 1	1.8		University Avenue Canadian	-1
	Manulife Vista Capital Gains Growth 2	-6		Manulife Vista Capital Gains Growth 2	-1.94		Manulife Vista Capital Gains Growth2	-1.4

BEST WORST

Volatile markets left many investors shaken, but only a few bailed out

turns, including dividends, to Dec. 31, 1998. Funds that have been in existence for less than three years were not included. The rankings also do not consider so-called specialty funds, such as those that invest primarily in precious metals or resources, which tend to be more volatile than other funds and are therefore suitable mainly for experienced investors.

As always, any talk of best and worst funds has to be tempered with some cautionary notes—starting with an understanding that a high score is no assurance of future performance. Among Canadian small cap funds, Concordia Special Growth often lands in the bottom half in fund rankings. But if its returns during each of the past five years are averaged, it ranks second in its category with a handsome 18-per-cent yearly return.

In addition, buying top-ranked funds is no substitute for a detailed investment strategy that is tailored to an individual's goals and circumstances. Investors who lack such a plan, experts say, frequently sell when prices are low and buy when they are high—the classic mistakes committed by short-term investors. They are also less likely to take advantage of diversification by spreading their investments among a basket of different asset classes, including domestic and foreign stock funds, bond funds and money-market funds. Judging by their response to last year's downturn, Canadian mutual fund investors are starting to take that kind of common-sense advice to heart. "To say they didn't panic may not be quite right," observes Dan Richards, president of Toronto-based Marketing Solutions and a consultant on investor behaviour. "What they didn't do is act on their panic. There were lots of anxious calls to financial advisers and banks, and new money stayed on the sidelines. But we didn't see any massive redemptions."



Stromberg: the former securities regulator is calling for better disclosure of mutual fund costs and investment practices

Part of the reason may be that the typical Canadian mutual fund investor is now more experienced and knowledgeable than in the past. "I will never forget October, 1987—my first major downslide," remembers Dr. Heather Hicks, 43, a family practitioner in Grande Prairie, Alta., who invests about 30 per cent of her after-tax income in mutual funds. "I thought the world had come to an end." Tellingly, when she got that same sinking feeling last summer, Hicks didn't give in to the temptation to sell. "One learns that cycles are part of life and part of the equity markets."

Most of the small investors interviewed by *Maclean's* were philosophic about their losses in 1998 and glad they had decided not to bail out of the market. "If I lose anything, it's money I never had in my hand anyway," says Hare Erin Gibault, a 26-year-old commercial real estate agent in Vancouver, stuck to aggressive equity funds right through the drop. "Obviously, I've been burned recently in the resource sector, but I know the markets are cyclical," says Gibault, who says he invests every dollar he can spare—between $800 and $1,800 every month—and now has a portfolio worth "in the low six figures." Even though most market analysts predict continued volatility this year, Gibault isn't particularly jittery about the outlook. He says he will "take full advantage of any downswings" to buy when prices are depressed.

Gibault may be representative of a new breed of individual Canadian investor—young, well-informed and determined to leave nothing to chance. "One of my goals is to have an annual retirement income of $100,000 at age 65, so I work backwards from there," he says, taking into account other goals such as "how old I would like to be when I own a house and a vacation property, and putting money aside for my future children's education." Gibault meets at least six times a year with his financial adviser, pays close attention to management fees when he selects a fund, and only invests in funds that he expects to hold for five or more years. He also reads media reports on mutual funds and keeps track of market trends. While he's happy to leave the research on individual funds to his financial adviser, "I don't have blind faith. I do my own research."

Fellow Vancouverite Tim Brown, 30, a lawyer who specializes in estate planning, is equally methodical in his approach to retirement saving. Married with a 14-month-old son, Brown contributes the maximum each year to his RRSP. On top of that, he invests an average of $600 a month into non-RRSP mutual funds. "If I don't save for myself, no one else will," Brown says. "My philosophy is that the baby boomers will completely exhaust the Canada Pension Plan." His basic investment strategy, he adds, is to "put aside whatever you can and then don't think about it for 35 years—don't check on what the market is doing every day."

Of course, not every mutual fund holder is as knowledgeable or confident about his or her ability to sift through the often-confusing barrage of investment advice. For those with less experience, the coming year could bring some relief. Already, a tentative price war has broken out among fund managers and distributors, driving down management fees on certain funds and prompting several companies to refund some of the commissions they earn when investors put money into a fund (page 46). As well, regulators are putting increased pressure on the industry to improve its dealings with ordinary investors. Glorianne Stromberg, a former part-time commissioner at the Ontario Securities Commission, spearheaded an earlier reform drive with a 1995 report on mutual fund regulation. Her most recent study, released by Industry Canada in early January, recommends a raft of additional changes that many argue are essential to

THE GOOD, THE BAD AND THE UGLY

Average 1998 return by mutual fund category



SOURCE: BELLCHARTS INC.

Maclean's BellCharts Rankings

CANADIAN SMALL CAP *Funds that invest in small and midsize corporations (3 years: 57 funds; 5 years: 38 funds)*

TOP 10 3-YEAR ANNUAL COMPOUND RETURN	
Quebec Growth Fund Inc.	30.5
GBC Canadian Growth	19.8
Saxon Small Cap	19
Millennium Next Generation	18.3
Concordia Special Growth	17.7
Fidelity Cdn. Growth Company	17.5
Metlife MVP Growth	17
Lotus Canadian Equity	16.8
Talvest Small Cap Cdn. Equity	16.6
Beutel Goodman Small Cap	16.4
BOTTOM 5	
O'Donnell Cdn. Emerging Growth	-5.4
BPI Canadian Small Companies	-7.3
Industrial Equity Fund Ltd.	-11.8
Cambridge Growth	-23.6
Cambridge Special Equity	-25.3

TOP 10 RISK-ADJUSTED 3-YEAR RETURN	
Quebec Growth Fund Inc.	6.22
Saxon Small Cap	3.05
Fidelity Cdn. Growth Company	2.97
GBC Canadian Growth	2.79
Metlife MVP Growth	2.44
Ivy Enterprise	2.38
Millennium Next Generation	2.29
Beutel Goodman Small Cap	2.25
COTE 100 EXP	2.25
Sunfund	2.21
BOTTOM 5	
O'Donnell Cdn. Emerging Growth	-1.54
BPI Canadian Small Companies	1.75
Industrial Equity Fund Ltd.	-1.71
Cambridge Special Equity	-2.91
Cambridge Growth	-3

TOP 10 AVERAGE 1-5 YEAR ANNUAL RETURN	
Millennium Next Generation	18.4
Concordia Special Growth	18
Quebec Growth Fund Inc.	17
Sceptre Equity Growth	16.7
GBC Canadian Growth	14.6
Multiple Opportunities	13.3
Guardian Enterprise Classic	13.2
Metlife MVP Growth	12.9
20/20 RSP Aggressive Equity	12.7
Sunfund	12.4
BOTTOM 5	
Canada Trust Special Equity	2.1
Royal Canadian Small Cap	0.7
Industrial Equity Fund Ltd.	-7.8
Cambridge Special Equity	-13.3
Cambridge Growth	-16.8

CANADIAN BOND *Funds that invest in bonds and other fixed-income securities (3 years: 108 funds; 5 years: 86 funds)*

TOP 10 3-YEAR ANNUAL COMPOUND RETURN	
Acuity Pooled Fixed Income	17.2
Altamira Bond	14
Spectrum United Long-Term Bond	11.6
MAXXUM Income	11.4
Green Line Canadian Bond	10.7
SSQ-Obligations Canadiennes	10.6
Batirente-Section Obligations	10.5
C.I. Canadian Bond	10.5
Sceptre Bond	10.4
Westbury Canadian Life 'B'	10.2
BOTTOM 5	
Manulife Cabot Diversified Bond	5.7
GWL Government Bond A	5.6
BPI Canadian Bond	5.4
Trans-Canada Bond	4.2
Dynamic Income	3

TOP 10 RISK-ADJUSTED 3-YEAR RETURN	
Acuity Pooled Fixed Income	4.98
Quebec Professionals Bond	4.85
Altamira Bond	4.68
C.I. Canadian Bond	4.57
Batirente-Section Obligations	4.55
SSQ-Obligations Canadiennes	4.36
Equitable Life Segregated Accumulative Income Fixed	4.26
Desjardins-Laurentian Bond	4.24
Westbury Canadian Life 'B'	4.21
Montrusco Select Income	4.2
BOTTOM 5	
Green Line Real Return Bond	0.84
Pursuit Canadian Bond	0.76
BPI Canadian Bond	0.59
Trans-Canada Bond	-0.09
Dynamic Income	1.12

TOP 10 AVERAGE 1-5 YEAR ANNUAL RETURN	
Acuity Pooled Fixed Income	12.8
Altamira Bond	12.1
Batirente-Section Obligations	9.8
MAXXUM Income	9.9
SSQ-Obligations Canadiennes	9.7
Green Line Canadian Bond	9.6
Spectrum United Long-Term Bond	9.4
C.I. Canadian Bond	9.3
Bissett Bond	9.3
RR Bond	9.2
BOTTOM 5	
Pursuit Canadian Bond	6.5
Templeton Canadian Bond	5.2
Manulife Vista Bond 2	5.1
BPI Canadian Bond	4.8
Trans-Canada Bond	4.7

It was a tough year for funds that invest in the resource sector

protect consumers and increase competition. Among other things, Stromberg advocates better disclosure of mutual fund costs and investment practices, less emphasis on commission-based selling and standardized training for all financial advisers.

While the industry's reaction to her 1995 recommendations was initially hostile, Stromberg says her current report is getting a more sympathetic airing and that there is a good chance many of her suggestions will be implemented. A few "dinosaurs" may continue to behave as though the adviser knows best and what investors don't know won't hurt them, says Stromberg, but those in the forefront of the industry recognize that they cannot afford to alienate their customers. That's especially true of the big financial companies that market a wide range of products and services, from traditional banking to mutual funds, insurance and estate planning advice.

Even the most sweeping reforms, however, will not relieve Canadians of the need to do their own homework before deciding where to invest their savings. During the recent bull market, success was often as simple as closing your eyes and picking a fund at random. With prices on a steady upward march, almost everyone did well; the average Canadian equity fund gained 60.5 per cent in the three years to the beginning of 1998. Even more impressive were the results chalked up by index funds, no-brainer funds that simply track the overall stock market and, by doing so, routinely outperform most professional money managers.

But in Canada, at least, the markets are no longer so buoyant, and most of the experts are predicting a volatile 1999. While the spurt in stock prices in December and early January had many in the investment industry chirping "business as usual," by mid-January Brazil's devaluation of its currency, the real, had dampened spirits. "I'm a little less optimistic than I was a couple of weeks ago," says Eric Kirzner, professor of finance and director of the executive MBA program at the University of Toronto. "After Russia and Japan, this is now the third currency crisis. Russia is not a major economy any more, but Brazil is the eighth-largest in the world." And as the disruptions accumulate, the outlook for stocks becomes more uncertain.

But it's when markets get choppy that fund managers have a chance to show off their navigation skills. Who will steer best through the storms? David Picton, a portfolio manager at Synergy Mutual Funds in Toronto, specializes in analyzing different styles of management, and he predicts a good year for managers who use what is known as a "growth and momentum" style. As the economy slows, he reasons, the main challenge will be to identify companies that are already doing well and have the potential to keep growing in the near future. (So-called value managers, in contrast, look for bargains that haven't yet been spotted by the market.) Picton's own growth-style Synergy Momentum Fund was the top-performing Canadian equity fund for 1998, although it has not been in existence long enough to show up in *Maclean's* three- and five-year rankings.

Using similar logic, Ian Joseph, vice-president of Canadian equities at Altamira Management Ltd., says the funds to watch for are those that focus on the same types of companies that did well last year, despite the downturn. That means large companies that earn most of their revenue in North America, especially companies in the technology and financial services sectors. Joseph is also impressed by the recent strength of the so-called New Economy. Says Joseph: "The Canadian market is at something of a watershed. There are lots of interesting new companies in sectors such as technology, industrial products and telecommunications that are not traditionally dominant areas for the Canadian economy. And I think that's extremely healthy."

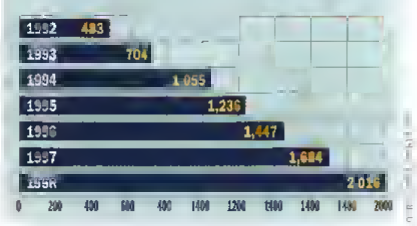
The forecast is not quite as cheery for Canada's resource industries, including forestry products, mining, and oil and gas. Forecasts for continued economic growth in Europe and North America suggest that com



Logging on Vancouver Island: commodity prices will likely stay low until Asia stages a recovery

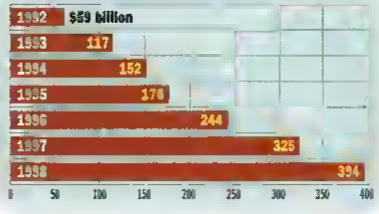
GROWTH SPURT

Number of mutual funds in Canada



ON A ROLL

Total mutual fund assets



Maclean's BellCharts Rankings

CANADIAN BALANCED *Funds with mixed portfolios of stocks and bonds (3 years: 151 funds; 5 years: 111 funds)*

TOP 10 — 3-YEAR ANNUAL COMPOUND RETURN	
Acuity Pooled Cdn. Balanced Investment	21.1
Common Sense Asset Builder III	19.7
Common Sense Asset Builder IV	19.3
Common Sense Asset Builder V	19
FMOQ Investment	18.8
Common Sense Asset Builder II	18.5
Fidelity Cdn. Asset Allocation	17.8
NN Asset Allocation	17.6
Montrusco Select Balanced +	16.5
Beutel Goodman Private Balanced	16.2
BOTTOM 5	
Guardian Cdn. Balanced Classic	5
GWL Growth & Income (AGF) A	3.4
Acadia Balanced	2.3
Altamira Growth & Income	0.7
Cambridge Balanced	-16.2

TOP 10 — RISK-ADJUSTED 3-YEAR RETURN	
Ivy Growth and Income	4.94
Common Sense Asset Builder II	4.78
Common Sense Asset Builder III	4.72
Common Sense Asset Builder I	4.67
Atlas Canadian Balanced	4.55
Common Sense Asset Builder IV	4.35
Montrusco Select Balanced +	4.38
Fidelity Cdn. Asset Allocation	4.19
Common Sense Asset Builder V	4.18
Beutel Goodman Private Balanced	4.08
BOTTOM 5	
Guardian Cdn. Balanced Classic	0.32
GWL Growth & Income (AGF) A	-0.24
Acadia Balanced	-0.53
Altamira Growth & Income	-0.7
Cambridge Balanced	-2.18

TOP 10 — AVERAGE 1-5 YEAR ANNUAL RETURN	
Acuity Pooled Cdn. Balanced Investment	15.8
FMOQ Investment	15.2
Beutel Goodman Private Balanced	13.5
Ivy Growth and Income	13.2
Montrusco Select Balanced +	13.2
Rissett Retirement	13.2
NN Asset Allocation	13
Industrial Pension	12.3
Atlas Canadian Balanced	12.2
ABC Fully Managed	12.1
BOTTOM 5	
YMG Balanced	8
Dundee Fund of Funds	4.7
McDonald Canada Plus	4.5
Altamira Growth & Income	1.7
Cambridge Balanced	-12.1

U.S. EQUITY *Funds that invest in shares of U.S. companies (3 years: 97 funds; 5 years: 66 funds)*

TOP 10 — 3-YEAR ANNUAL COMPOUND RETURN	
Global Manager U.S. Geared ($U.S.)	44.4
Ethical North American Equity	40.9
MO U.S. Equity	39
Cambridge American Growth	38.4
AGF American Growth Class	36.3
MAXXUM American Equity	35.3
Metlife MVP U.S. Equity	32.9
RPI American Equity Value	31.8
Investors U.S. Growth	30.9
Jones Heward American	30.8
BOTTOM 5	
CIBC U.S. Small Companies	10.1
Investors Special	10.1
Investors North American Growth	10
AGF Special U.S. Class	5.8
Global Manager U.S. Bear ($U.S.)	-18.7

TOP 10 — RISK-ADJUSTED 3-YEAR RETURN	
Chou Associates Fund	8.45
Royal & SunAlliance U.S. Equity	6.89
Investors U.S. Growth	6.53
AIM American Premier	6.51
IRIS U.S. Equity	6.49
Ethical North American Equity	6.35
Growsafe U.S. 500 Index	6.19
Metlife MVP U.S. Equity	6.08
Hongkong Bank U.S. Equity	6.07
RPI American Equity Value	6.03
BOTTOM 5	
Investors Special	1.21
CIBC U.S. Small Companies	1.03
Universal U.S. Emerging Growth	1.02
AGF Special U.S. Class	0.21
Global Manager U.S. Bear ($U.S.)	-6.02

TOP 10 — AVERAGE 1-5 YEAR ANNUAL RETURN	
MO U.S. Equity	30.6
Ethical North American Equity	30.2
AGF American Growth Class	28.8
Cambridge American Growth	25.8
RPI American Equity Value	25.5
Spectrum United American Growth	25.2
Investors U.S. Growth	25.1
Metlife MVP U.S. Equity	24.9
IRIS U.S. Equity	24
Green Line U.S. Index ($U.S.)	23.5
BOTTOM 5	
PH&N North American Equity	10.1
Desjardins International	10
Investors Special	8.2
Canada Trust North American	8.7
AGF Special U.S. Class	7.4

modities may do somewhat better this year than in 1998, when prices fell 12 per cent as measured by the benchmark CRB commodity index. But experts caution that Canadian companies will not make big money hewing wood and drawing oil until there is significant improvement in the Asian and Latin American economies.

Another worry is the current high level of stock prices, particularly in the U.S. market. Picton points out that when companies are growing, interest rates are low and consumers have money to save and invest, it's natural that equity prices should be high. But others warn that the conditions that have kept stock prices high will not last forever. When inflation and interest rates start to creep up, a nasty market correction could soon follow.

The best advice for nervous or disappointed investors is to make sure their portfolios contain a range of investments. Kirzner recently finished a year-end analysis and found that a typical investor with a balanced portfolio of domestic mutual funds would only have made two or three per cent in 1998. But if 10 per cent of the investor's money had been in U.S. stock funds and another 20 per cent was in non North American equity funds, the portfolio would have returned a much more attractive nine or 10 per cent.

As for Kirzner himself, he plans to follow Bill Hare's lead. "I'm not planning to change my portfolio at all. I've got a balance I'm happy with, so I'm going to stick with it." Like a lot of investors, however, he won't mind in the least if 1999 turns out to be a less dramatic, less stormy year than 1998.

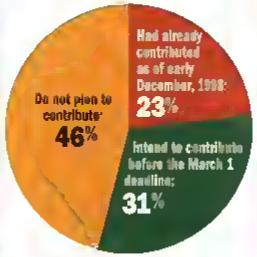
With SUSAN McCLELLAND in Toronto



Gibault, his goal is a retirement income of $100,000 at age 65

THE RRSP RUSH

Percentage of Canadian adults who have made, or intend to make, an RRSP contribution for the 1998 tax year



SOURCE: GALLUP SURVEY CONDUCTED IN DECEMBER, 1998, FOR THE CANADIAN ASSOCIATION OF FINANCIAL PLANNERS

In a recent survey, 1,014 adults were asked how they decide on the amount of their annual RRSP contribution. Responses:

51% said it depends on the availability of funds

30% said they contribute the maximum allowed

8% said they guess how much they will need for a secure retirement

8% said they follow contribution guidelines contained in a written financial plan

3% did not say

Maclean's BellCharts Rankings

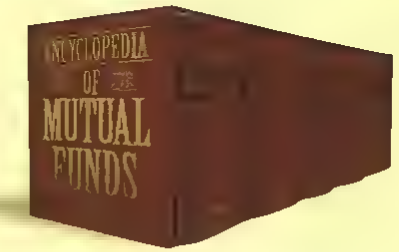
GLOBAL EQUITY *Funds that invest in companies anywhere in the world (3 years: 96 funds, 5 years: 64 funds)*

TOP 10 — 3-YEAR ANNUAL COMPOUND RETURN	
Bissett Multinational Growth	26.8
Orbit World	26.8
Acuity Pooled Global Equity	24.4
Cambridge Americas	23.4
BPI Global Equity Value	22.1
Greystone Managed Global	21.7
AIC World Equity	21.6
Fidelity Int'l Portfolio	21.5
Canada Life U.S. & Int'l Equity S-34	21.4
Clean Environment Int'l Equity	21.2
BOTTOM 5	
Investors World Growth Portfolio	6.8
Beutel Goodman Int'l Equity	5.4
Spectrum United Global Growth	4.7
Cundill Value A	0.8
Cambridge Global	-18.4

TOP 10 — RISK ADJUSTED 3-YEAR RETURN	
Bissett Multinational Growth	5.81
Orbit World	5.62
Greystone Managed Global	4.89
Scudder Global	4.67
Ivy Foreign Equity	4.63
Fidelity Int'l Portfolio	4.58
C.I. Global	4.41
BPI Global Equity Value	4.38
FMOQ International Equity	4.19
C.I. Global Sector	4.16
BOTTOM 5	
Trimark-The Americas	0.61
Beutel Goodman Int'l Equity	0.6
Spectrum United Global Growth	0.1
Cambridge Global	-1.05
Cundill Value A	-1.15

TOP 10 — AVERAGE 1-5 YEAR ANNUAL RETURN	
BPI Global Equity Value	17.1
Fidelity Int'l Portfolio	17.1
Canada Life U.S. & Int'l Equity S-34	16.8
CentrePost Foreign Equity	16.8
Ivy Foreign Equity	16.7
Orbit World	16.4
Acuity Pooled Global Equity	16
AGF International Value	15.9
Cambridge Americas	15.2
Green Line Global Select	14.9
BOTTOM 5	
Sceptre International	5.5
Cundill Value A	5.4
Beutel Goodman Int'l Equity	4.3
Spectrum United Global Growth	2.2
Cambridge Global	-12.3

What's the best way to get in touch with the type of investor you are?



[] Shock Therapy



[] Self-help

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FORECAST: Lower fees

BY RUDY LUUKKO

In a bustling underground shopping concourse, the red and yellow letters flash rapidly to catch the eyes of bargain-hunters. "Just lowered ... to 0.5%!!!" shouts the electronic message board from inside the plate-glass storefront of a Royal Bank Financial Group investor centre in Toronto's financial district. It's an unusual pitch, but so is what's being promoted: reduced mutual fund fees.

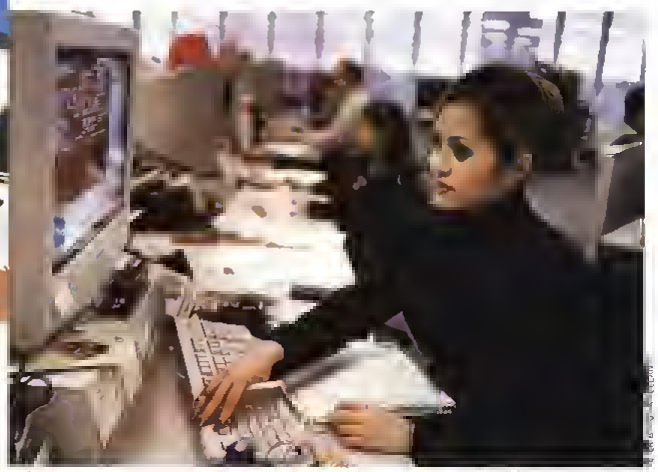
Until now, price competition has not been the name of the game for the fund industry's dominant players—the large independents selling through brokers and dealers, the banks and market leader Investors Group Inc. Throughout a decade of spectacular growth in sales and assets managed, the industry giants have competed aggressively on fund types and investment styles, on services, and on lucrative commissions to salespeople. In short, on just about everything except fees. But those electronic signs indicate a change in the wind. Suddenly, financial-service rivals are battling one another with low fees on a group of boring but inexpensive funds that mimic market benchmarks such as the Toronto Stock Exchange 300 composite index. As well, the discount brokerages are competing by offering rebates on "back-end-load" mutual funds, which typically charge clients a commission if they sell within six or seven years of their mutual investment.

The mutual fund industry has started these price wars in the belief that there is a small, attractive market of fee and rebate shoppers at the moment, and a trend to comparison shopping on its way. But there has been no widespread consumer demand for cuts. In fact, there is a surprising level of ignorance about all costs attached to mutual funds. "People don't understand the fees and charges," says Glorianne Stromberg, author of a report released last month that calls for tougher regulation of mutual funds. "They don't even understand what they are paying by way of commission." According to a recent Royal Trust survey, 72 per cent of RRSP investors holding mutual funds didn't know that a management expense ratio (MER) is the percentage of fees and expenses levied against the assets of a mutual fund.

Canadian investors are also not likely to know that they have been paying much more for fund services than their American neighbours. A study released in July, 1998 by the Boston-based consulting firm Cerulli Associates Inc. found that management-expense ratios on long-term Canadian mutual funds were double those in the United States. On average, according to Cerulli, Canadian funds charged management fees of two per cent, compared with 0.94 per cent in the States. Though there are greater economies of scale south of the border, Cerulli said the main reason for the fee gap was that Canadian customers have been willing to pay higher fees.

The flip side of the Royal Trust survey is that 28 per cent of Canadian mutual fund investors are aware of expense ratios and make a likely target audience for low-fee index funds. In an industry that has grown to $394 billion in assets, this is a significant customer base. Among the most successful index-fund sponsors making waves on fees is CIBC Securities Inc. By setting its MERs at 0.9 per cent, and offering a wide array of choices in index funds, the CIBC mutual fund operation has vaulted to a market-leading $1.5 billion in index-fund assets in a little more than two years, overtaking established players Toronto Dominion Bank, Canada Trust and Bank of Montreal.

Now, archrival Royal is seeking a big piece of the index-fund pie. CIBC's rapid rise, and the prospect of a merger with Toronto Dominion Bank that would have created an index-fund powerhouse, finally jolted Simon Lewis, president of Royal Mutual Funds Inc., into action. "I really didn't have any choice," says Lewis. "We had to get into the game." An active investor himself—the TV in his fifth-floor Altamira, noted for aggressive fund management rather than low fees. "We think it's important to give our clients choice," says Altamira president Gordon Cheesbrough, whose do-it-yourself clients are often more knowledgeable about fees than the general fund buying public. "Fees have become an issue," says Cheesbrough. "You read about them. Clients talk about them." Royal countered a day later by matching Altamira. Vows Royal's Lewis: "We'll go as low as we need to stay competitive." CIBC decided not to match Royal's fee cuts directly, opting instead to undercut Royal only on the largest and most profitable accounts of $150,000 or more. CIBC Securities CEO Ted Cadsby says its index funds were more affordable anyway, requiring only a minimum $500 purchase,



CIBC mutual fund call centre in Toronto, the Royal's Lewis (opposite) making waves

Toronto office is tuned to the stock-ticker channel—Lewis has stated in the past that he is not a fan of index funds. His firm, which is the leading bank-fund group and second in the industry behind only Investors Group, was the lone holdout among the big banks on index funds. Now, with the blessing of Royal Bank chairman John Cleghorn, it has taken one of the most aggressive stands on fees. "When Pepsi comes into the Coke market, the first thing you do is get aggressive on price," says Lewis.

The Royal made its move last fall when it launched six index funds and became the new price leader with MERs of 0.55 per cent. But that lasted only for a few weeks. Independent direct seller Altamira Investment Services Inc. undercut the mighty Royal in November with expense ratios of 0.5 per cent, briefly becoming the lowest-cost provider of index mutual funds. It was a departure for Altamira, rather than the $2,500 minimum insisted on by Royal and $5,000 at Altamira.

In some quarters, the fund wars have led to a re-evaluation of how the game is played. Toronto Dominion Bank's mutual fund arm, for one, has held the line on its index fund fees, but is in the midst of some heavy-duty brainstorming. "We will not immediately respond, but when we do, it will be in an industry-breaking way," says Mark Wettlaufer, president of TD Asset Management Inc. Wettlaufer says TD is looking at how it can reduce distribution and administrative costs and share those savings with customers. Inertia among consumers is giving TD and others time to cut fees. Even the institutions admit there is little immediate market demand. CIBC's president Cadsby says: "I don't think there's a big customer demand for lower fees, let alone an awareness of the impact of fees on returns." But Cadsby adds that he expects consumer pressure to grow over the next 18 months.

Among managers of load funds, there are early signs of strategic moves in response to falling index-fund fees. Mackenzie Financial Corp., the largest fund company selling through independent brokers and dealers, is planning to introduce new classes of fund shares by this spring to give some wealthier investors a break. "It will be significant," promises Phil Cunningham, president of Mackenzie's main operating unit, which is still deciding how much it will cut fees. But Mackenzie, a trendsetter among companies selling through financial advisers, has no plans to reduce management fees across the board. Cunningham says Mackenzie's MERs, which are much higher than no-load index funds, are justified because it costs more to hire money managers who make active decisions about which stocks and bonds are best to hold, and because part of the management fee is paid directly to financial advisers by Mackenzie. "A good adviser can put together a good portfolio that can certainly enhance your return, and importantly, keep you in that portfolio," he says. Terence Bute, president of Dundee Mutual Funds, adds that the real question for customers to ask is what are they getting for the money they are paying?

The load-fund firms find preaching the virtues of advice and service a safer course than trying to cut costs by reducing payouts to the people who sell their products. Raising commissions, on the other hand, is a strong incentive for new sales. A case in point: Sun Life-owned Spectrum United Mutual Funds Inc. jacked up commissions to six per cent from five per cent in January on most of its deferred-load funds. The move made front-page headlines in the monthly trade newspaper *Investment Executive*.

There are limits to how much generosity brokers' consumers are willing to tolerate. As awareness of fund fees grows, full service fund advisers will face increasing competition from discounters, such as Scotia Discount Brokerage Inc., which on Jan. 15 became the first national distributor of funds to share with customers back-end commissions that fund companies pay to brokers at the time of sale. Scotia discount customers who invest at least $2,500 in a back-end load mutual fund now get a 2.5-per-cent bonus, which amounts to half the commission normally received by brokers at the time of sale. "We think this program will help investors better understand how back-end loads work," says Scotia Discount Brokerage president and CEO Andrew Scipio del Campo, whose firm raised the bonus to three per cent for orders made over the Internet. Scotia's discount brokerage was not the first to unveil the innovative commission kickbacks. That honour went to a tiny Toronto-based dealer called The Fund Company Inc.

Scotia's aggressive bid to grab market share prompted a defensive move by the

At long last, a price war erupts in the mutual fund industry

country's largest discounter, Toronto Dominion Bank's Green Line Investor Services. It matched Scotia's price break—except for the Internet offer—and also lowered the eligible purchase amount to $1,000. "It's a competitive marketplace out there," says Green Line president John See. He predicts a trend towards lower mutual fund fees that are more visible to consumers. "We thought this was a good opportunity through which we could build our business," he says. Other major discounters are following suit. So far, they include Royal Bank Action Direct, with a 2.75-per-cent rebate on all deferred-load sales, and Bank of Montreal's Investor-Line Discount Brokerage, which offers a bonus of 2.5 per cent on phone orders and three per cent on electronic orders. As of Feb. 1, CIBC Investor's Edge is offering a 2.75-per-cent bonus on phone orders and three per cent for online transactions.

The commission rebates represent an escalation of the price competition in the discount brokerage sector, which has seen the development of one-stop shopping centres for multiple brands of funds at reduced costs. One of the pioneers is Canada Trust's OneStop Fund Solutions discount-brokerage service, which offers third-party funds with no front-end or deferred sales charges. Fund companies pay fees to OneStop of up to one per cent of the fund's assets, and the brokerage often collects the same point-of-sale commission as a full-service adviser. No-load direct seller Altamira has also been influenced by the trend and has acquired London, Ont.-based independent discount broker Mutual Fund Direct.

Another boost for the discount sector came in December with the entry into the market of U.S. discount giant Charles Schwab Corp. "When Schwab does something, it's very closely watched," says Cerulli consultant Andrew Guillette. "Often they can be a barometer of things to come." Toronto-based Charles Schwab Canada now has only $185 million in client assets, but it hopes to grow rapidly by offering Internet-based trading, fast access to research and highly responsive client services. Though Schwab's strategy is not to be the price leader, its president and CEO, Paul Bates, still thinks the overall trend for fund fees is down. "MERs," says Bates, "will come under pressure and I believe there will be a lot of pressure brought to bear for the complete disclosure of trailers"—the annual commissions that brokers receive to ensure that their clients stay with a particular fund company. He predicts that clients will be inclined to ask for trailer fee rebates if their advisers can't justify their commissions. If so, that would mark a new militance from what until now been a passive breed of Canadian fund investor. □

Deirdre McMurdy



A watchdog has its day

There are certain mysteries that may forever elude human understanding. How were the pyramids constructed? What happened to the lost island of Atlantis? Why does Canada not have a national investment watchdog?

Technology has effectively eradicated the international borders of commerce. Capital sloshes around the globe looking for the best return. Deregulation has blurred the traditional distinctions between the four financial pillars—securities, banking, insurance and trusts. Mutual funds have revolutionized the way people invest. Still, Canada clings to an outmoded regulatory structure that encourages fragmentation and provincial fiefdoms.

Just as they have refused to remove the trade barriers between them, the provinces are unwilling to relinquish any control over the jobs or the lucrative revenue flow from the financial services sector. Specifically, there is an abiding concern that Ontario, where 90 per cent of capital markets business is already transacted, will profit excessively. But that shortsighted self-interest carries a steep price.

Canada will be marginalized without uniform standards of investment conduct

Without uniform, enforceable standards of disclosure and conduct, Canada will be increasingly marginalized in global markets. Brand names—and the quality they represent—have renewed importance in the age of electronic commerce. Familiar, established suppliers have an edge because consumers know whom they are dealing with and what they can expect. That applies equally to competitive financial markets, all the more because the volume of electronic banking, trading and Internet stock dealing is on the rise.

Valuable investor confidence has already been squandered through high-profile stock scandals such as Bre-X Minerals, Cartaway Resources, YBM Magnex and Philip Services. They have tarnished Canada's "brand name" reputation, which ultimately undermines its ability to attract investment capital. Furthermore, a record number of Canadians now have direct leverage to the performance of domestic markets and companies because of their ownership of mutual funds.

Another important incentive for strong, national regulation is our burgeoning role as a global "back office" for the international financial services sector. Canadian firms process trades and keep records for a growing roster of major U.S. and offshore ventures. However, to sustain or expand that niche, Canada must be perceived as a stable, reliable business environment.

The last push to create a national securities agency floundered around 1996. But the notion has been revived in a new report written by securities lawyer Glorianne Stromberg for Industry Canada. Going one step further than past proposals, Stromberg advocates the creation of a single, national body to supervise the activities of brokers, banks, trust and insurance companies.

She argues that is necessary because all financial services and products have converged since deregulation in 1987. For example, banks are now selling insurance and mutual funds, in addition to offering the traditional mortgages and savings accounts. "It's important for us to create a structure in Canada that matches all the changes in the marketplace," says Stromberg. "That means, among other things, a new level of provincial co-operation."

Within days of her report's release in early January, however, at least one province shot it down. Douglas Hyndman, chairman of the British Columbia Securities Commission and chairman of the Canadian Securities Administrators, declared the idea of a national regulator to be impractical and divisive. Instead, he favours a "virtual" regulator, that would preserve existing autonomy, while introducing and enforcing certain basic standards among all provinces.

So far, Ottawa has been sitting on its hands, anxious to avoid a fight and therefore leaving the provinces to grapple with these regulatory issues. As a general rule, the private sector likes government to do as little as possible. But on this issue, the Liberals' favourite standpat approach is a recipe for certain failure. In the ever-evolving global economy, those who are afraid to move forward will inevitably find themselves lagging several steps behind.



Best-of-class funds

These funds delivered superior rewards for the risk

Out of the more than 2,000 mutual funds in Canada, the 67 funds listed alphabetically below were judged the best in their respective categories over the past three years, based on ratings prepared for *Maclean's* by BellCharts Inc., a fund research firm. To make the grade, funds needed to offer consistent, above-average returns given the degree of risk they took. Specifically, the selection process took into account how much better it was to invest in a particular fund versus a risk-free investment such as a treasury bill. It downplayed time periods when returns were unusual, focusing on how well the fund normally performed. And it compared the fund with a benchmark to see how much better it did, how much risk was entailed in getting those additional returns and how predictable its performance was

Total amount of money, in millions, managed by the fund

Indicates whether the fund is or is not eligible for an RRSP investment, or is eligible only as foreign content

Maximum percentage loss in any 12-month period over the past 10 years, or less if the fund has not been in existence that long.

The likelihood that an investor would have lost money in any 12-month period over the past 10 years, or less if the fund has not been in existence that long.

Fund Type	Assets	1-Year Return	3-Year Return	5-Year Return	10-Year Return	RRSP Eligibility	Standard Deviation	Worst 12 months	Best 12 months	Chance of Having Lost Money	Management Expense Ratio

The type of investments contained in the fund

The percentage return to Dec. 31, 1998. For periods longer than one year, the figure shown is the average annual compound return

A measure of volatility based on the amount by which monthly returns varied over a three-year period.

Maximum percentage gain in any 12-month period over the past 10 years, or less if the fund has not been in existence that long.

The yearly percentage of assets that goes towards running the fund

Maclean's BellCharts Rankings

Fund Name	Fund Type	Assets	1-Year Return	3-Year Return	5-Year Return	10-Year Return	RRSP Eligibility	Standard Deviation	Worst 12 months	Best 12 months	Chance of Having Lost Money	Management Expense Ratio
Acuity Pooled Fixed Income	Bond	2	17.7	17.2	12.0		Yes	8.8	-0.3	34.8	0%	0.58
Acuity Pooled Global Balanced	Int'l Balanced	0.3	17.2	17.8	11.7		Foreign	3.7	-8.1	56.5	20%	1.08
AIC Diversified Canada	Cdn. Equity	2,538.1	14.9	35.8			Yes	5.1	-3.2	76.4	2%	2.34
AIM American Premier	U.S. Equity	12.4	50.7	30.6	19.2		Foreign	4	-10.6	50.7	0%	2.78
AIM European Growth	European	48.2	50.5	30.7	19.5		Foreign	4.8	-5	44	13%	2.91
AIM GT Global Growth & Income	Int'l Balanced	94.1	21.3	16.2			Foreign	2.1	6.1	26.6	0%	2.78
Altamira Bond	Bond	525.7	13.6	14	11.5	12.8	Yes	2.1	-16.3	28.5	7%	1.3
Associate Investors Ltd.	Cdn. Equity	14.1	5.9	23.6	15.2	11.2	Yes	4.4	-11.5	51.7	10%	1.83
Atlas Canadian Balanced	Balanced	418.7	9.7	14.7	12		Yes	2.3	-6.5	29.3	7%	2.19
Atlas Canadian Large Cap Growth	Cdn. Equity	629.8	-1	17.6	12.8	8	Yes	4.5	-15.4	47.4	27%	2.44
Batirente-Section Obligations	Bond	43.2	7.9	10.8	4.5	11.3	Yes	1.4	-6.2	24.1	10%	1.65
BC Private Balanced	Balanced	61.0	7	16.2	13.1		No	8.8	-3	36	5%	1.1
Bissett Canadian Equity	Cdn. Equity	481.4	0.1	21.4	15.3	14	Yes	5	-19	55.4	13%	1.29
Bissett Multinational Growth	Global Equity	91.1	10.7	26.9			Foreign	3.9	1.4	52.8	0%	1.44
Bissett Retirement	Balanced	229.8	5.8	15.8	12.8		Yes	8.8	-5.3	34.7	7%	0.37
BPI American Equity Value	U.S. Equity	144	50.5	31.8	24.8		Foreign	4.6	-4.5	50.5	0%	8.81
BPI Global Equity Value	Global Equity	585.2	32.2	22.1	10.8	15.6	Foreign	4.1	-3.4	35.8	6%	2.46
C.I. Canadian Bond	Bond	252	6	10.5	9		Yes	1.4	-4.6	20.2	13%	1.67
CDA Pacific Basin (RBSK)	Far East	1.2	14.3	3			Foreign	5.8	-24.9	26.5	44%	1.45
CentrePost Foreign Equity	Global Equity	8.8	19.8	19.3	16.7		Foreign	4.2	6.4	42.4	0%	1.75
Chou Associates Fund	U.S. Equity	13	23.2	23.5	22	17.3	Foreign	2.9	-17.1	47.8	16%	1.86
Common Sense Asset Builder I	Balanced	84.5	6.7	15.2			Yes	2.4	1.2	32.5	0%	2.25

Maclean's BellCharts Rankings

Fund Name	Fund Type	Assets	1-Year Return	3-Year Return	5-Year Return	10-Year Return	RRSP Eligibility	Standard Deviation	Worst 12 months	Best 12 months	Chance of Having Lost Money	Management Expense Ratio
Common Sense Asset Builder II	Balanced	102	8	18.5			Yes	3	2.1	40.5	0%	2.26
Common Sense Asset Builder III	Balanced	92.4	7.5	19.7			Yes	3.3	1.1	43.7	0%	2.25
Common Sense Asset Builder IV	Balanced	45	6.5	19.3			Yes	8.8	-1.2	43.8	2%	2.25
Common Sense Asset Builder V	Balanced	17.8	5.8	19			Yes	3.5	-2.7	44.3	7%	2.26
Ethical North American Equity	U.S. Equity	260.8	62.8	40.6	28.3	18.1	Foreign	5.8	-17.3	66.1	14%	2.5
Fidelity Cdn. Asset Allocation	Balanced	3,866.3	8.8	17.9			Yes	3.3	-1.5	41.6	2%	2.44
Fidelity Cdn. Growth Company	Small Cap	1,585.8	4.5	17.5			Yes	4.4	-12.1	41.9	7%	2.46
Fidelity Far East	Far East	816	7.8	0.8	0.3		Foreign	10.2	-48.3	44.4	23%	2.88
Fidelity Japanese Growth	Far East	138.8	14.4	-8.8	0.7		Foreign	5.7	-24.4	22.7	68%	2.97
FMOG International Equity	Global Equity	21.2	32.7	20.1			Yes	3.8	-11	38.4	13%	0.81
GBC Canadian Growth	Small Cap	217.4	0.2	10.8	13.5	17.7	Yes	5.8	-26.7	51.8	20%	1.86
Global Mgr UB Index ($U.S.)	European	4.5	15.2	21.8			No	3.8	4.4	44.9	0%	1.82
Global Strategy Diversified World Bond	Int'l Bond	281.4	14.3	8.8	5.8		Yes	1.1	-7.9	21.3	12%	2.1
Global Strategy World Bond	Int'l Bond	189.4	14.5	8.7	4.5	8.8	Foreign	1.1	-8.8	21.7	13%	2
Green Line Global RSP Bond	Int'l Bond	319.4	18.1	12	10.1		Yes	1.8	1.8	16.1	0%	2
Greystone Managed Global	Global Equity	27.1	23.8	21.7			Foreign	3.8	-1.5	35.3	2%	2.44
Guardian Foreign Income A	Int'l Bond	15.6	17.2	12.3			Yes	1.8	3.8	24.3	0%	1.51
Hongkong Bank European Growth	European	111	42.2	29.1			Foreign	4	9.2	46.8	0%	2.1
Investors Summa	Cdn. Equity	597.4	4.7	18.7	12.7	10.5	Yes	4.7	-23.5	44	20%	2.51
Ivy Canadian	Cdn. Equity	5,811.5	5.7	15.8	13.6		Yes	1.1	-2.5	31.8	1%	2.32
Ivy Foreign Equity	Global Equity	1,340	17.7	18.8	10.7		Foreign	1.1	5.8	34.1	0%	2.33
Ivy Growth and Income	Balanced	2,970	5.6	15.5	12.8		Yes	2.3	-1.6	27.8	7%	2.07
London Life Mortgage (LLIM)	Mortgage	538.5	6	6.7	8.8	8.7	Yes	.8	-0.2	15.8	0%	2
MAXXUM American Equity	U.S. Equity	47	67.8	35.3			Foreign	5.4	13.4	67.8	0%	2.44
McDonald Emerging Economies	Latin Am.	0.8	7.5	1.3			No	6.3	-25.5	14.8	44%	2.87
McDonald Enhanced Bond	Bond	1.2	9	7.8			Yes	1	4.9	11.5	0%	1.48
McDonald Nat Japan	Far East	1	18.2	-6			No	5.8	-26.8	18.2	92%	2.45
MD U.S. Equity	U.S. Equity	454.9	50.3	39	26.2		Foreign	5.8	-0.8	70.5	1%	1.28
Montrusco Select Balanced +	Balanced	357.8	11.7	16.5	12.9		Yes	2.8	-6.3	36.9	16%	6.11
Montrusco Select Income	Bond	118.8	9.6	9.8	8.8	11.8	Yes	1.3	-8	25.3	7%	0.04
Ontario Teachers Group Diversified	Cdn. Equity	55	3.7	16	12	9	Yes	4.5	-10.7	44	28%	1
Ontario Teachers Group Mortgage	Mortgage	118.5	8.2	8.3	8	9.2	Yes	0.9	1.7	13.9	0%	0.75
Orbit World	Global Equity	19.5	44.8	26.8	14.7	11.5	Foreign	4	-11.8	46.8	17%	2.65
PH&N Dividend Income	Dividend	645	4.7	26.3	18.4	14.6	Yes	4.5	-10.1	57.9	9%	1.21
Quebec Growth Fond Inc.	Small Cap	27.7	17.4	30.5	15.2	17.2	Yes	5	-50.7	78.2	24%	2
Quebec Professionals Bond	Bond	68.7	8.2	9.1	7.8	8.8	Yes	1	-3.8	19.8	7%	0.95
Royal & SunAlliance U.S. Equity	U.S. Equity	44.8	26	30.4			Foreign	8.8	16.4	56.8	0%	2.54
Saxon Small Cap	Small Cap	20.9	4.2	10	11.1	10	Yes	4.8	-25.9	57.2	25%	1.75
Scudder Canadian Equity	Cdn. Equity	271.8	-3.8	21.8			Yes	4.5	-10.1	61.3	13%	1.25
Scudder Canadian Short Term Bond	Mortgage	14	5.8	6.4			Yes	.6	3.5	11	0%	0.85
Spectrum United Cdn. Investment	Cdn. Equity	336.2	1.7	17.1	12.8	8.8	Yes	4	-19.8	43.7	27%	2.39
Standard Life Cdn. Dividend	Dividend	44.1	4.3	29			Yes	5.3	-5	54.2	2%	1.5
Standard Life Equity	Cdn. Equity	10.2	5.4	16.5	12.8		Yes	4.5	-17	41.5	7%	2
Standard Life Ideal Equity	Cdn. Equity	223.8	4.4	18.8	14	11	Yes	4.6	-19.8	37.8	12%	2
Templeton Emerging Markets	Latin Am.	736.5	-13	1.8	-0.8		Foreign	7.5	-44	82.8	40%	3.33



"I think people are overestimating the amount they need to save"

—Malcolm Hamilton

Investment specialist Sue Dabarno

Pension expert Malcolm Hamilton

Financial industry consultant Dan Richards

BEST & WORST

The RRSP scramble

How important is it for Canadians to take full advantage of their RRSP contribution limits? The subject is the source of endless confusion among investors and debate within the financial services industry. To sort through the issues, Maclean's *called on Sue Dabarno, executive vice-president and director of private client services for Merrill Lynch Canada Inc., Dan Richards, president of Marketing Solutions, a consulting firm that advises the mutual fund industry, and Malcolm Hamilton, a pension specialist at William M. Mercer Ltd. Excerpts from the discussion.*

Maclean's: *Is it a foregone conclusion that every Canadian should maximize his or her RRSP contributions?*

Dabarno: I think that everybody should at least attempt to maximize their RRSPs. Having said that, you have to look at individual circumstances. You can't just blatantly tell people to maximize their RRSPs if they are so deep in debt that they can't sleep at night. On the other hand, if you decide not to maximize your RRSP and instead use your money to pay down debt, you're leaving yourself with very little liquidity. If you lose your job and you don't have some savings to fall back on, it's pretty hard to go to the bank and say, 'Can I up my mortgage because I need some cash?'

Maclean's: *What percentage of Canadians maximize their RRSPs?*

Richards: It's pretty small—something on the order of 15 per cent. In part, of course, that's because RRSP limits have gone up significantly. It's not that long ago that the limit was $5,500. Well, today it's pushing $15,000 and there's pressure to keep it going up. For the average Canadian, even the above-average Canadian, to find $15,000 on Feb. 15 is going to be pretty tough. But the core of the problem for many people is a failure to establish an ongoing plan. One of the axioms of financial planning is 'Pay yourself first,' and it's true. Contributing to an RRSP has to become routine, and for too many Canadians it's not.

Dabarno: It also makes sense that the day you get a pay increase, you increase your contribution level. That way, you gradually move closer to your goal.

Maclean's: *Canadians are often told that they need to save more for retirement, and that if they don't they're not going to live well in retirement. Is that true?*

Hamilton: By and large, I think people are overestimating the amount they need to save. If you look at the retirement system, you'll see that a couple is guaranteed an after-tax income of about $25,000 a year per annum after age 65 even if they don't save a penny. That's what they can expect to get as a couple—net of income tax—from the Canada Pension Plan, Old Age Security, Guaranteed Income Supplement, GST credits and various provincial programs. Well, the irony in Canada is that a senior couple with $25,000 a year after tax will have a standard of living, by my calculations, comparable to a working family with $50,000 in income. That's because, unlike the working family, the senior couple usually doesn't have children to support, they will usually have paid for their house, they won't have payroll taxes and they won't be saving for retirement any more. With half the income, they'll also have a much lower tax burden.

Maclean's: *A lot of Canadians in their 30s and 40s are worried today because they haven't started saving for retirement. Are you saying they should relax?*

Hamilton: In my view, it's way too early for them to worry. If you've got children and you can get to the age of 45 with the mortgage largely paid off, you're probably doing just fine even if you haven't saved anything for retirement. Then, as the mortgage gets paid down and the children leave home, take that money and direct it towards retirement savings. You can do remarkably well saving vigorously in the 10 years before retirement without really making any reduction in your standard of living. The great tragedy in Canada is that we have many families earning $50,000 or $70,000 a year who are horribly overtaxed and their standard of living is no better than seniors who never saved a penny, and yet everybody tells them they've got to take what little money they do have and put it in an RRSP.

Dabarno: The comment I just heard was that this applies to people who have reached the age of 45, they've paid off their mortgage and the children have pretty well left home. That may fit a certain percentage of the population, but you have to look at all different age-groups, at when people are having children, and at what age people are retiring. I still think you should pay yourself first.

Richards: There's another issue here, and it's a bit of a moving target. You have to consider not just how long you're going to live, but how much it's going to cost you. There are retirement homes at the high end that will cost $2,000 a week. That's not for everyone, but there are an awful lot of people who, when the time comes, would like to live at an above-average level of comfort. Also, with advances in medical technology there's no question that we're not going to continue to be able to provide universal health care. Health will be like education today: you'll have a good, solid public system that's available to everybody, and a better system for those who want and can afford it. In fact, there are already all sorts of stories of people queue-jumping by going to the United States for medical treatment. So we know it's going to cost more to retire in the future than in the past.

Maclean's: *The financial services industry has a vested interest in telling people to save as much as possible. How do Canadians know what to believe?*

Dabarno: Every Canadian has the right to be taken through each and every aspect of their situation to make sure they understand it, and no one has to accept the first financial consultant they see. They can shop around and they can ask to see track records and performance.

Maclean's: *Do you agree with Dan's point about the rising cost of retirement?*

Hamilton: It's true if you accept that we're all going to need $2,000-a-week retirement homes, but let's put that in perspective. That's $104,000 a year after tax, when the average Canadian couple makes $60,000 a year before tax. I don't think we should be telling average Canadians to arrange their finances so that they can afford the most expensive retirement home.

Richards: I'm not suggesting that's the universal case because clearly most people won't be able to afford it. But guess what? There's going to be a significant number of people who would like to be able to afford it when they reach that age.

Maclean's: *Isn't it natural to want to retire rich?*

Hamilton: If people are prepared to deprive themselves and live miserably for 40 years so they'll be wealthy thereafter, God bless them. But we shouldn't be telling people that they have to deprive themselves for 40 years or else they'll be hungry or unclothed or miserable when they retire. And I'm not talking about people who get individual advice, because most people don't.

Dabarno: That's where I come from, because they should get advice.

Hamilton: But there's a chicken-and-egg problem. People who get advice tend to have high incomes, so the advice-givers tend to be most comfortable with the financial problems of high-income Canadians. Most of what you read in the media are great financial strategies for people with very good incomes, but they're not great strategies for people with normal incomes.

Dabarno: I've done focus groups over the years with a wide range of clients right across Canada, and I can tell you that regardless of income, the happiest and most comfortable clients are those people who started to save, even just a little bit, from Day 1. They don't feel they've deprived themselves. They feel good about themselves.

Hamilton: I'm saying people should know why they're saving. One of the problems is that all of these pressures are being put on families with young kids when they've al-

PHOTOGRAPHY BY PHILL SMEJUMACLEAN'S

ready got high taxes, mortgages, child care and tons of other expenses. Now we're telling them they should pitch $2,000 a year into a registered education savings plan and, by the way, they should also be saving for retirement. For most Canadians, there's just not enough money there to do all those things. Nor do they need to. If you're putting money into an RRSP and you're paying your mortgage at an accelerated rate, you're already saving a lot of money.

Dabarno: But what happens if you lose your job?

Hamilton: If you're worried about losing your job, save money for that purpose. My problem is with people who have all those other financial responsibilities, and yet they're being told that unless they're socking away 10 or 15 per cent of their income into an RRSP, their lives are going to be miserable when they're seniors.

Richards: You're absolutely right when you say you can't do everything. But do we really have a savings problem or do we have a spending problem? Particularly among the baby boomers, we've seen a dramatic ratcheting up of expectations. People are saying, 'If I've got to cut back on something, I'm not going to cut back on the new car, the trip to Florida or the larger house.' That's legitimate if you understand the consequences, but if you wait until 10 years before retirement to start saving, for most Canadians that's going to be too late.

Hamilton: I don't agree. Most Canadians, if they apply themselves to saving for 10 years, will have a post-retirement lifestyle indistinguishable from their lifestyle before retirement. And if you measure the savings of Canadians by how much money is going into RRSPs and how much is going into pension plans, I think they're doing not badly.

Dabarno: Not badly isn't good enough, because there are too many uncertainties. What I need for retirement today is much different than I would have anticipated 10 years ago. And it might be much different again 10 years from now when the baby boomers begin to retire. Not worrying about retirement is the wrong approach. You need to be concerned.

Hamilton: Statistics Canada put out a study recently of 200,000 retiring Canadians, based on tax data. For Canadian individuals who were earning $70,000 to $100,000 a year, the average ratio of retirement income to pre-retirement income was 45 per cent. The average for all incomes was 58 per cent. And if you survey them, you'll find they're very pleased, very comfortable. Yet people are constantly being told they need to save enough to replace 70 per cent of their incomes.

Richards: Malcolm mentioned the $25,000 guaranteed annual income per retired couple. You've got to remember that in the future, relatively high-income couples are not going to get the level of public support that they have today because the economics won't allow it. And if you assume, as he does, that the $25,000 is going to be there, you're taking away your margin of safety.

Hamilton: Yes, one of the ironies in this is that the government is more likely to deny benefits to people who save than to people who don't. The history of Canada is filled with examples where those who save lose out. If you don't save in Ontario, for example, you get better drug benefits than those who do save. My guess is that the group most likely to lose government benefits will be those who have saved a lot.

Richards: Because they can afford it.

Hamilton: But how do you come up with a compelling argument to save when it means that you'll be first in line to disqualify yourself from public benefits?

Dabarno: This is all just speculation. I get back to good common sense, which is that Canadians need some form of retirement savings and they need advice.

Maclean's: *1998 was not a great year for Canadian investors. How will that influence what people do this RRSP season?*

Richards: If you were to characterize 1998, you could call it the Year of Living Nervously. The level of anxiety is palpable, and one of the consequences is that people look at the alternatives out there and they don't really like any of them, so maybe they'll just take a pass. On top of that, we've seen for the past two years a slowing down in the rate of increase in RRSP contributions. Part of it is that a lot of Canadians don't have the money, but another reason is that a few years ago the government changed the rules to allow people to carry over unused RRSP room. The unintended consequence is that a lot of Canadians have decided there's no pressure on them to contribute this year. More and more people have $20,000 or $50,000 in unused contribution room, and it's never going to be used because they won't have the money.

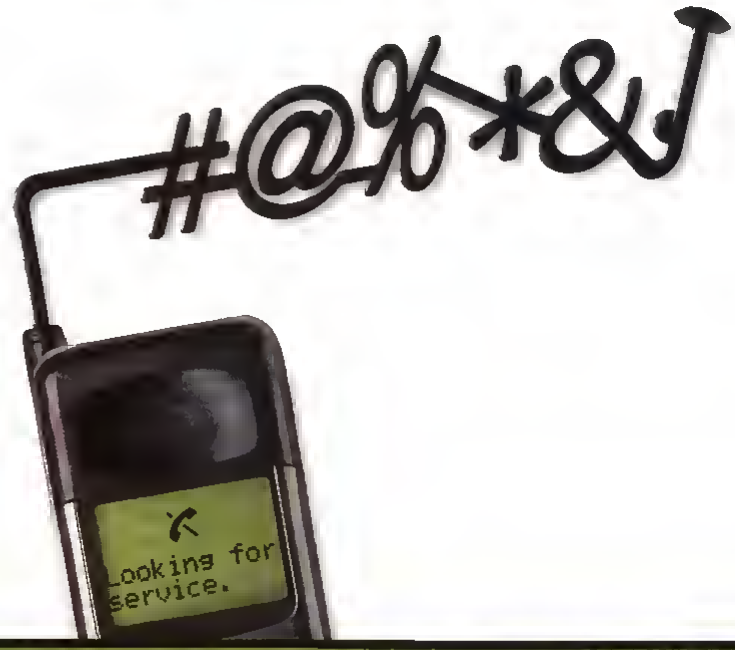
Dabarno: Among our clients, we're seeing a lot of cautious optimism towards the market today. After the market drop last September, the world didn't stop and we didn't see a lot of redemptions—we just saw a passive Canadian public. Now we're beginning to see some cautious optimism move back in. We're also seeing much more interest in asset allocation strategies and much more interest in diversification. People are asking more questions.

Hamilton: It's terribly hard to give general advice, but people shouldn't worry so much that if they haven't started saving by age 45, their lives will be tragic when they're old. If you look at the statistics on who's saving, how much they're saving, and how they're investing, Canadians, I think, are behaving remarkably sensibly. And people who are retiring today are by and large retiring to a life that they find quite secure and enjoyable. So people should worry less. □



In the future, Ottawa may cut support for middle-income seniors

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RAY OF SUCCESS

A biotech firm soars on the strength of a new drug that reacts with light

BY JENNIFER HUNTER

Strange things were happening to Philip Watts. When he woke in the morning he noticed a spray of brown markings on his pillow, which at first looked like coffee grounds. He soon realized they were caused by blood. Several weeks later, he began to vomit huge amounts of phlegm and that's when the Burnaby, B.C., man, who was then 64, decided he had better go to the doctor. After a series of endoscopies—a tube with a video lens was placed down Watts's esophagus—the diagnosis was disturbing. His doctor, Vancouver gastroenterologist Alan Weiss, told Watts he had an ailment called Barrett's esophagus, a condition caused by prolonged acid reflux. This had altered the cells lining his esophagus, the tube leading from the mouth to the stomach, and biopsies showed pre-malignant change. Patients with Barrett's esophagus are 35 times more likely to develop esophageal cancer.

Dr. Weiss told Watts he had two choices: the first was an operation to remove part of his esophagus—major surgery with a five to seven per cent mortality rate that can affect eating and involves lengthy recuperation. The second option was an experimental drug called Photofrin, which is injected intravenously and then activated by light from a low power laser beamed on the affected area. Watts opted for Photofrin, developed by a Vancouver company, QLT PhotoTherapeutics Inc. "Photofrin is a wonderful, wonderful drug," exclaims Watts, now 67, whose Barrett's esophagus appears completely cured, three years later. "It has allowed me to lead a comfortable life."

But Photofrin, which is now approved in many countries for the treatment of lung and esophageal cancer, is not the only remarkable drug in QLT's arsenal of photodynamic therapies. In recent weeks, the company announced results of a final trial for a drug called Visudyne which seems to have a huge impact on patients with age-related macular degeneration—a condition of the retina that is the leading cause of blindness in people over the age of 50. Over 61 per cent of the patients treated with Visudyne experienced a halt in deterioration or improved vision. News of the Visudyne tests, coupled with the U.S. Food and Drug Administration approval of Photofrin for late-stage lung cancer treatments (it had already been approved for early lung cancer), have sent the shares of QLT skyrocketing—from $18 each on the TSE in mid-September to $60 as of Jan. 22. Analysts say Visudyne is a blockbuster drug with the potential to reach sales of $500-million a year. "We're now in the top 16 of biotech companies in North America," boasts QLT president and chief executive officer, Julia Levy, with reason. "This is not a trivial feat."

Nor did it happen quickly. QLT has been toiling in the biotech field for almost two decades, ever since its founders set up a lab in 1981 over a bakery, next to a primal scream therapist. ("You'd hear the screams every so often," Levy laughingly recalls.) The company was started by some University of British Columbia scientists, including Levy, a microbiologist, who wanted to explore commercial applications of their research. Levy was interested in photosensitive molecules, prompted by the experiences of her two children during summers spent at the family cabin on bucolic Sonora Island, off the British Columbia coast. "The children would be outside playing and sometimes they'd have these slashes on their arms, like they had burned their hands in a hot oven," Levy remembers. "I could never figure it out." She consulted a plant biochemist who told her that a common weed, cow parsley, was a photosensitive plant. "He said I'd probably only see burns on the children if it was a sunny day because it needs a certain amount of light to react in the skin. It's what got me thinking about these kinds of molecules."

Levy, now 64, became fascinated and began to investigate. Meanwhile, a medical researcher at Roswell Park Cancer Institute in Buffalo, N.Y., had developed a light-activated drug, Photofrin, to target tumours. It was being tested by Johnson & Johnson. But in the early 1980s, lasers were costly and difficult to use and Johnson & Johnson decided to abandon Photofrin. At a seminar in Hamilton, Ont., Levy met clinicians who had used the treatment. "One woman physician who was using Photofrin to treat breast cancer said she had been pleased with the therapy and was outraged the drug was being withdrawn," Levy explains. "This struck a chord with me." A year earlier, in 1986, QLT, then known as Quadra Logic Technologies Inc., had gone public on the Vancouver Stock Exchange, and was developing pregnancy kits, while trying to develop its own photosensitive drug. "I thought that if Photofrin was being hung out to dry, maybe we should do something about it," Levy says. Her tiny company joined forces with American Cyanamid of New Jersey to purchase the rights to Photofrin.

QLT began clinical trials to explore the drug's impact on various cancers. Researchers learned that, when injected intravenously, it is absorbed by molecules called lipoproteins, then carried through the blood to the tumour. The fast-growing tumour cells, which need lipoproteins for cell division, absorb more Photofrin than healthy cells. Two days later, once the drug has accumulated in the affected area, a red laser, inserted with an endoscope, beams light to the affected area. The light interacts with the drug to create a molecule called singlet oxygen, which destroys cancerous cells. Photofrin has been approved in the United States, France, Germany, Japan, and the Netherlands for treatment of lung and esophageal cancers. In Canada, it is still awaiting federal government approval.

The major drawback to Photofrin is that a person receiving it must avoid sunlight for up to six weeks after. "I was walking around with gloves on, wearing a big sombrero," Watts recalls. And the treatment has the largest impact on cancer patients in the early stages, before the tumorous cells have had an opportunity to penetrate deeply, cautions Dr. Weiss, who is now testing Photofrin on patients through the B.C. Cancer Agency. In later cancers it has more of a palliative effect—shrinking rather than eliminating tumours. It also does not work on cancer that has spread throughout the body. But, Dr. Weiss adds, "I feel very excited about it. I think it will be a fantastic treatment."

Photofrin, however, has never made much money for QLT. "The cancer treatment market is very fragmented for each type of cancer and each stage of cancer," says biotech analyst Ann Dulhanty of Dundee Securities Corp. in Toronto. "So the market tends to be quite small." But the opportunities for Visudyne, on the other hand, are enormous. Over 500,000 people around the world, each year, become blind as a result of macular degeneration. "As people get older the layers of the retina get thinner and if they get very thin, new blood vessels form and they start leaking," Levy explains. The leaky blood vessels damage the macula, or area of the eye responsible for central vision. The Visudyne trials show that "for the first time there is the possibility of an approved drug to treat this disease for which there is no cure," says analyst Ezra Lwowski of Yorkton Securities Inc. in Toronto.

That's why the drug has put QLT on the map, sent its stock soaring and left the clinical community agog. "In the whole history of biotech companies there have been four drugs that have been approved and have $500 million in sales," says Christine Charette, biotech analyst at Nesbitt Burns in Toronto. "This will be the fifth." She explains that of 300 biotech companies operating in North America, only nine are profitable. But that should change for QLT by 2000, Lwowski predicts. He anticipates QLT will achieve revenues of about $103.8 million by 2001, versus $7.7 million for 1998.

The company, which has yet to report a profit, should net $38.7-million by 2001. Dulhanty notes QLT and its partner CIBA Vision Corp. of Duluth, Ga. are two years ahead of their competitors in the search for a macular degeneration treatment and she anticipates quick approval by the FDA.

While Levy is pleased by her company's promise, there is also a personal note to her satisfaction. Her mother, Dorothy Coppens, who died two years ago at 94, became blind from age-related macular degeneration. "When my mother was diagnosed, it was the first time I had ever heard of it," Levy says. "It hit me like a ton of bricks." Her mother's predicament led to Levy's exploration for a photodynamic therapy to treat blindness. The drug she helped develop, benzoporphyrin derivative, now called





Levy; Watts (right): QLT stands to profit on photosensitive treatments that are bringing new hope to eye and cancer patients

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Visudyne, seemed to be the answer.

The treatment has received accolades from medical researchers. In early 1996, Dr. Webb Wilson, an opthamologist who lives in Santa Cruz County, California, began to notice his vision was distorted. "Straight lines were crooked, door jambs looked wobbly." Being an eye specialist, he immediately recognized the problem. He consulted colleagues who told him of the Visudyne trials. "I went from about 20/60 vision to 20/20 in 24 hours," he says. "To say it was dramatic is putting it mildly." Unlike Photofrin, light sensitivity dissipates within 24 hours, so there was no need for a sombrero or gloves. Unfortunately, the 70-year-old doctor lost vision in his right eye, which had developed scar tissue and couldn't respond to Visudyne. Still, he can watch his five grandchildren grow. "I am very, very grateful," he says.

After years of struggling—with share prices bouncing up and down, a revolving door of CEOs, and paltry revenues at QLT—the firm hopes Visudyne is the key to success. "It has given us huge confidence," Levy says. The company will make big money and so will the CEO—on paper she is now worth over $20-million because of stock market excitement. Photodynamic therapy may have dozens of other applications, Levy says, including treating auto-immune diseases such as psoriasis and arthritis. Analyst Lwowski says much of the credit for QLT's new recognition should go to Levy, who became president in 1996. "She was always known as a good scientist but certainly there was nothing in her background to suggest she could run a company," he says. "What she has done is pretty remarkable." QLT's results so far hold out the promise to repair the eyesight of millions and to restore the health of those such as Philip Watts, who now chops wood, eats curry, and leads a cancer-free life.

Banking on change

CIBC's Flood is bowing out, while others are cut

It had been a tough year, and Al Flood looked weary. At an annual meeting in Toronto last week, the 63-year-old chairman and chief executive at the Canadian Imperial Bank of Commerce ducked broadsides from a few angry shareholders, seething over the bank's 32 per-cent slide in profits in 1998. Afterwards, reporters hounded Flood about CIBC's failed merger with the Toronto Dominion Bank, nixed in December by Finance Minister Paul Martin. The timing was simply wrong, the chairman conceded. But the timing is definitely right for retirement, Flood said, explaining that he will step down later this year.



TORONTO STAR

Kluge: a candidate for the top job

Holger Kluge, 56, who runs CIBC's highly profitable personal and commercial banking operation, is considered the front runner for Flood's job. John Hunkin, head of the bank's world markets investment operations, is also in the running, although his star was tarnished when his division lost $186 million in the last quarter as stock markets tanked.

The turbulence blowing through the banking sector appears to have just begun. Hunkin said CIBC's troubled investment arm will cut more jobs in 1999, on top of the 500 that CIBC chopped last year. Over at the Royal Bank of Canada, *Maclean's* learned, about 30 employees have also been cut at the Toronto head office. The reductions are likely to take the form of early retirements and buy-outs in the next few months. Dan Maceluch, a Royal Bank spokesman, said the company has stated its intention to reduce costs, but denied layoffs have taken place. "None of that is happening or has happened."

The Royal, which earned a record $1.82 billion profit in 1998, did announce a series of departures and promotions in its upper ranks. Maceluch said the movements were prompted by the retirement of two long-serving executives, Emile Bolduc and Robert Sutherland, and had no connection with the Royal's thwarted bid to merge with the Bank of Montreal.

During last year's merger debate, Bank of Montreal chairman Matthew Barrett warned that failure to allow the mergers would result in loss of market share to foreign competitors, branch closings and layoffs. The banks have since played down the doomsday predictions. "They still have their eye to consolidation in the long term," says Nigel Heath, an analyst with Dominion Bond Rating Service. "Wholesale branch closures would just add fuel to the bank-bashing fire." At times like these, Canada's bankers need all the friends they can find.

JOHN SCHOFIELD

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INTERNET INDISCRETION

Personal information on hundreds of Air Miles cardholders was inadvertently released on the program's Web site Terry Hamilton, a Toronto software developer who discovered the error, said files containing members' names, card numbers, home phone numbers and other information may have been accessible on the site for as long as a year. The company shut down the site and said it will investigate the problem.

CELLULAR MEGADEAL

Britain's Vodafone Group PLC acquired San Francisco-based AirTouch Communications Inc. in an $85-billion deal, giving Vodafone entry into the U.S. market and creating the world's largest cellular phone company. The deal ended a two-week bidding war and came just hours after Bell Atlantic Corp., the dominant player in the eastern United States, said it had ended talks with AirTouch.

WEB TAKEOVER

High-speed U.S.-based Internet provider AtHome Corp. said it will pay $10.1 billion for Excite Inc. of California, one of the leading destinations on the World Wide Web. The deal stands to make AT&T Corp., which will own the largest stake in AtHome, an Internet leader. Toronto-based Rogers Communications Inc. also has an equity stake in AtHome—and the takeover coincides with the expiry of Rogers' three-year deal for rights to Yahoo Canada, which competes with Excite.

BELL FIGHTS A BACKLASH

In a bid to stem criticism over plans to sell its operator-assistance division, Bell Canada said it will consider taking a majority stake in the new firm that will run the service. But Bell said it has no intention of backing off its proposed joint venture with Arizona-based Excell Global Services. Bell promised that its 2,400 operators in Ontario and Quebec would get jobs in the new company, but admitted wages would be lower.

STOCKS TAKE A BEATING

Investors bailed out of Internet stocks last week, putting a damper on their meteoric rise. Some of the selling was spurred by a New York City investment strategist who warned that the rally in Internet stocks "will come to a very bad end." Many analysts have argued that the shares are vastly overvalued.

The rise of a TV empire

CanWest Global Communications Corp. continued its rapid expansion, buying control last week of the parent company of The Sports Network and The Discovery Channel in a deal that it estimates will cost $875 million. CanWest, owner of the Global TV network, acquired 68 per cent of cable broadcaster NetStar Communications. But there is a sticking point in the deal: ESPN, the U.S. sports network that owns 32 per cent of NetStar, did not tender its shares and is allowed 15 days to say whether it will try to sell its stake to another buyer. ESPN cannot buy NetStar itself because of restrictions on foreign ownership of broadcast licences. CanWest executive chairman Izzy Asper said it's in ESPN's best interest to sell its minority stake to CanWest. "If I were them, I would." There is speculation CanWest and ESPN differ over who would manage the Toronto company. ESPN has a long term deal with TSN to supply sports programming that will continue even if the company opts to sell its interest. The CanWest offer put a value of $545 million on all of NetStar and $330 million on its debts. "We want to be the largest conventional television broadcaster in Canada," Asper said. "And in addition, we want to be the largest cable television network operator in Canada. This does it for us."



KEVIN FRAYER/BLOOMBERG PICS

Asper (right) and son Leonard: a quest for control

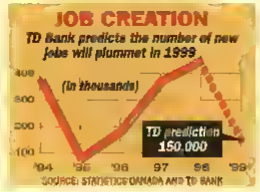
An impresario's needs

Garth Drabinsky, the co-founder of troubled Livent Inc., charged the Toronto-based live theatre production company about $215,000 a month in personal expenses for a private jet, limousines and accommodations in Toronto, New York City and Los Angeles. The expenses came on top of his $892,000 salary in 1998. But a spokesman for Drabinsky, David Weiner, called the reported $180,000 monthly jet figure "out of whack" and said Drabinsky's hectic schedule justified other charges. Weiner called the former theatre mogul a victim of character assassination. Drabinsky, 48, faces fraud charges in the United States and a $225-million misappropriation of funds civil suit in Canada. Newspaper baron Conrad Black, a member of Livent's board, said he is considering contributing to Drabinsky's legal fund and referred to the former impresario's situation as a "tragedy."

FINANCIAL OUTLOOK

The pace of job creation in Canada will be significantly slower in 1999, the Toronto Dominion Bank says. It predicts that about 150,000 new positions will be created this year, compared with more than 400,000 in 1998. About three-quarters of those will be in Ontario, though large-scale energy projects will make Newfoundland and Nova Scotia the economic growth leaders in 1999. The western provinces will fare the worst because of the slump in commodity prices.

The global economy is also expected to be plagued by slow growth and volatility in financial markets. U.S. Federal Reserve Board chairman Alan Greenspan warned that lower corporate profits could take the wind out of U.S. stock prices, spelling serious trouble for that economy. But Greenspan gave no indication the Reserve Board will raise interest rates. In Canada, new inflation figures also supported the status quo for interest rates. The annual inflation rate in December was one per cent, compared with 1.2 per cent in November.



"The recent performance of the equity markets will have difficulty being sustained."
—Alan Greenspan

"I see the development of an asset bubble as the next major threat to the system."
—Financier George Soros



Peter C. Newman

Drabinsky as a young man on the make

That's not the Garth I know, I thought to myself as I read last week's reports that if Drabinsky doesn't personally attend a court hearing to answer the 16 charges of conspiracy and fraud filed against him in a New York City court, he will be officially designated a fugitive from justice and hunted down.

I knew the troubled impresario best when he was on the make, carving out his remarkable career in entertainment law just before he turned Cineplex Odeon Corp. into one of the continent's leading movie-house chains. We had the occasional drink at Bemelmans, then a fashionable bar on Toronto's Bloor Street, which featured a sound system that played his favourite music, the cool saxophone musings of Gato Barbieri. This was in 1977, when he was 27 and still lacked the self-confidence to admit that his middle name was Howard.

Drabinsky was—and is—a novelist's dream, a Duddy Kravitz turned theatrical entrepreneur, brought down by hubris, personal extravagance and an unquenchable ego. His manner of speech was a mixture of Damon Runyon and Billy Graham. He would sing his own praises with quasi-religious fervour, then interrupt himself with asides that made him sound like an off-Broadway low-life huckster.

> He was a novelist's dream, a Duddy Kravitz brought down by hubris, extravagance and an unquenchable ego

His personality was evenly balanced: a chip on each shoulder—the first about his childhood polio, the second about being Jewish. Impressively successful for his age, he was obsessed with anti-Semitism, even when it didn't exist. To him, being Jewish was more of a cause than a religion. He boasted about how he insisted, at the age of 12, on reading the Torah at Beth Sholom Synagogue, the youngest-ever participant in the Saturday services. ("It gave me tremendous confidence to talk, sing, chant, whatever, in front of a crowd.") He then went on to North Toronto Collegiate where he was elected the first Jewish president of the student council—"and with the greatest plurality ever," he never failed to mention.

At the time we met, he worked for Thomson, Rogers, a predominantly WASP legal factory. "I walked in the front door and said, 'Well, here I am. I'm Jewish and this is what I want to do,'" Garth boasted. "One time, I was in the office of the managing partner and I heard afterwards he was on the point of kicking me out because I had the nerve to make a statement about my position in life. I believe in taking the bold approach to something you believe in and turning it to your own advantage. I'm considered a freak by most people. They look at me and think, 'Impossible, how can a guy that young have done all this?' But that's where it's at for me, gut wise."

By then Drabinsky had already written a book on entertainment law, published two magazines (*Canadian Film Digest*, a trade journal, and *Impact*, a monthly promotional vehicle distributed in movie theatres) and produced one bad movie, *The Disappearance*, with David Hemmings. I remember him handing me, unasked, his CV that catalogued every detail of his young life, including his club memberships which had only one entry: the Cambridge Club. (This was supposed to sound vaguely British and decidedly academic, but the Cambridge is actually a downtown Toronto fitness club that any male who can pay the annual fees of up to $1,795 and loves to sweat can join.)

I wasn't at all surprised at recent revelations that Drabinsky's expense account topped more than an incredible $200,000 per month, including a chauffeur-driven Mercedes. (Even back then, he drove a "Seville Caddy" which he described as "my Jew Canoe.") Talking to him, I realized that Drabinsky's thirst for legitimacy could never be satisfied, but it was his ambition to say "I did it" that seemed to drive him. That's why I find the criminal accusations against him so surprising. The conduct they allege is hardly the way to earn the respect Drabinsky has been plugging away since puberty to achieve. An acquaintance of Drabinsky's once claimed he was in such a hurry to succeed that "Garth could go through the 24-hour flu in eight hours."

Broadcaster Moses Znaimer, who shares some of Drabinsky's drive, once observed: "He's the only guy who makes me feel avuncular." The most telling Freudian slip was made by Peter Gzowski, at the end of one of his *Morningside* interviews. "And that was Darth Grabinsky," he blurted out, before correcting himself.

The title of Drabinsky's 1995 multi-ghostwritten autobiography, *Closer to the Sun*, which, it is estimated, cost him close to $200,000, said it all. The mythological tale of Icarus, the son of Daedalus, who was determined to fly and soared to the heavens but plunged into the sea when the sun melted his wax wings is the perfect metaphor for Garth's troubles. Typically, Drabinsky told an interviewer at the time: "The bastard just gave up too soon. He should have gotten himself another set of wings and taken off again."

When I best knew Drabinsky, there was a story making the rounds about the woman at a party who had sidled up to him, kissed him on the cheek, and coyly asked: "How is the biggest entertainment name in the city?"

"You mean the country," Drabinsky pointedly corrected her.

Neither imagined that his name would some day be up in Broadway lights as the co-founder and chief animator of Livent Inc., North America's largest live theatre production company. Nor that his quest for success at any price would eventually lead him to his current prospect, if convicted, of being sentenced to up to 140 years in jail.

But that's where it's at, gut wise, for Garth-baby at the moment.

Challenging the high-fibre gospel

In a finding that confounded accepted dietary wisdom, American researchers said that a 16-year study involving more than 88,000 women showed a high-fibre diet built around whole grains, fruit and vegetables does *not* lower the risk of colorectal cancer. During the study of nurses between 1980 and 1996, 787 of the women developed cancer of the colon or rectum. Writing in the *New England Journal of Medicine*, the researchers from Boston-area medical institutions said women whose diets were low in fibre appeared no more likely to develop cancer of the colon or rectum than those who followed high-fibre diets, adding that the findings would probably also apply to men. "The important message here," said the study's lead researcher, Dr. Charles Fuchs, "is that fibre, overall, has no protective effect" for colorectal cancer. Fuchs added that high-fibre diets still had undeniable benefits in protecting against other diseases, including high blood pressure and heart disease. Dr. Michael Thun, a researcher for the American Cancer Society, noted that other constituents of vegetables, including folic acid, might lower the risk of cancer.



AUTISM CLUSTER: **An unusual concentration of about 40 cases of autism among the 6,000 children in central New Jersey's Brick Township could provide clues to the causes of the disease, whose victims are subject to obsessive, repetitive movements and have difficulty communicating with others. Township resident Bobbie Gallagher contacted federal health officials after her daughter Alanna, 7 (at left above) and son Austin, 6, were diagnosed with autism. Experts believe that autism begins to develop early in pregnancy as a result of genetic and environmental factors. Researchers are investigating water sources, industries and waste dumps in the area.**

Wood stoves may cause cancer

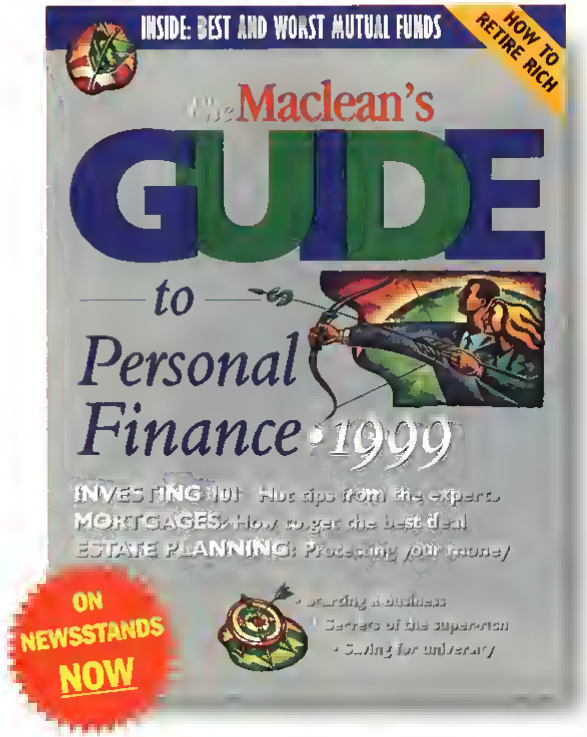
People who use wood-burning stoves appear to have an increased risk of mouth and throat cancers, according to a study by researchers from Montreal's McGill University. A team led by Eduardo Franco, a McGill epidemiologist, studied more than 2,300 people living in southern Brazil, including 784 patients with mouth or throat cancers. Writing in the *International Journal of Epidemiology*, the researchers said that after taking into account tobacco and alcohol consumption—which increase the risk of such cancers—they concluded that people regularly exposed to smoke from wood stoves had a two to three times higher risk of cancer. Women appeared to be more at risk than men, especially for cancer of the larynx, probably because they are exposed more often to wood-stove emissions. The researchers said that wood fires "generate a number of combustion products which are known or suspected carcinogenic agents."

Diet drug shaves pounds

A new diet drug that works by blocking the body's absorption of fat produced only modest weight losses—and some unpleasant side-effects—a major study has shown. Researchers in New York City and Chicago who tested the drug, orlistat, on 880 obese adults reported in the *Journal of the American Medical Association* that patients who dieted and used the drug lost an average of 19.3 lb. in the first year of the trial. Patients who dieted but did not take orlistat lost 12.8 lb. The researchers concluded that the drug, which has yet to be approved by U.S. or Canadian regulators, may be an option for some obese adults. The study noted that orlistat use was associated with a number of side-effects, including flatulence and "fecal urgency."

Curbing antibiotics

Responding to a national campaign aimed at preventing infectious microbes from becoming increasingly drug-resistant, Canadian doctors last year wrote 10 per cent fewer prescriptions for antibiotics than four years earlier. Dr. Don Low, an infectious disease expert at Toronto's Mount Sinai hospital who helps to run the Canadian Bacterial Surveillance Network, said the reduction suggested a significant change of attitude about antibiotics. "Doctors are beginning to think differently," Low said, "and even patients are questioning whether they need antibiotics." Canadian medical organizations launched a campaign in 1996 to educate physicians and patients about the dangers of using too many antibiotics. They took the step after Canadian hospitals were hit by outbreaks of infection caused by bacteria that had mutated and become resistant to some widely used antibiotics.



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Speedman: a young Hollywood hunk who doesn't 'really feel much like a heartthrob'

Bigger pond, big splash

Actor **Scott Speedman** is an overnight success—literally. The 23-year-old Toronto native stars in one of this season's most-talked-about television series, *Felicity*. But only weeks before shooting began on the pilot last year, he was an unemployed actor living at his parents' house. "I had just dropped out of theatre school at the Neighborhood Playhouse in New York City, and I was sitting around, not doing very much," says Speedman, who sent an audition tape to the show's producers on a Friday and was hired and in Los Angeles within a week. "It was incredible—usually when you send a tape to Hollywood, you never hear back."

Growing up, Speedman was more interested in athletics than acting. A member of the Canadian junior national swim team, the freestyle specialist was ranked ninth in the country in 1992. But a shoulder injury forced Speedman to give up the sport when he was 19 and look for other distractions. He chose acting, and got an agent after speaking on a public TV forum. He was cast only in small parts in independent films and American movies of the week before *Felicity*. "There's not a whole lot of scripts that I like, and I really enjoyed this," he says. There was just one problem: the role of Ben, the sexy and sensitive university student who sweeps fellow student Felicity off her feet, had already been given to American actor **Scott Foley**. Still, Speedman says he doesn't feel badly for winning away the part of Ben because Foley was then cast as another major character in the series. "So there is no bad blood between us."

Speedman, who is single, is trying to adjust to being a Hollywood hunk. "I don't really feel much like a heartthrob," he says. "And I don't have that savvy. I'm just going to take the roles I like, and whatever happens, happens."



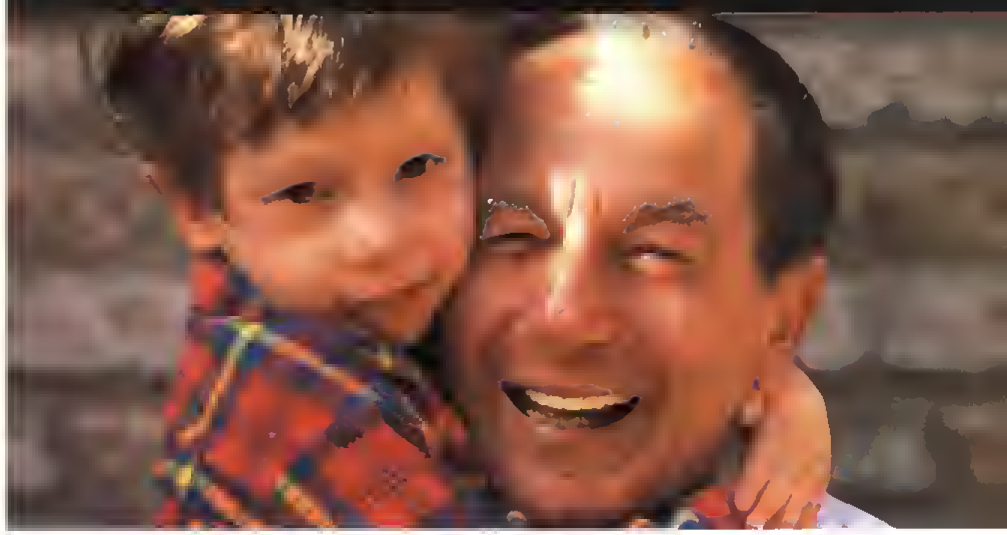
Matchett: honing her hockey knowledge

Taking charge in a man's world

When **Kari Matchett** auditioned for a role in *Power Play*, the CTV television series about a professional hockey team, she had to ask her husband, **T. W. Peacocke**, a director, for some tips on the sport. "I don't know anything about hockey, but my husband is a fanatic," she says. "I'm still asking him questions." He obviously taught her well: the 28-year-old Toronto actress landed the role of Colleen Blessed, the beautiful but tough president of the Hamilton Steelheads who wants to move the losing team to Houston and make big bucks. "I like Colleen," says Matchett about her key role on the show. "She can be a bitch, but she has to be—she is a woman in a male-dominated world."

Matchett has wanted to act since she read an article about how films are made when she was 12. Seven years later, she was accepted at the prestigious National Theatre School in Montreal and then continued her studies at the Moscow Theatre School, where she learned some Russian. She has appeared in various productions at the Stratford Festival and in a number of TV series, but *Power Play* is her first high-profile role. "People are starting to recognize me on the street," she says, "which I like because it means people have seen my work." Besides co-starring with **Al Waxman**, **Michael Riley** and **Don Cherry**, Matchett had a chance to work with her husband when he directed an episode last fall. "It was a little weird," she admits. "It was hard for me not to disagree and say, 'What are you, crazy?' I had to keep myself in check." After all, directors get to call the shots.

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PHILLIP VINEBERG

Levy, Short, Fox, Michaels: years of experience before arriving in the United States

Show Business

The land of laughs

Americans finds Canadian comedians hilarious

BY ANDREW CLARK

Michael J. Fox begins with Wayne and Shuster, who appeared more times on *The Ed Sullivan Show* than any other act. The list continues. David Steinberg, Rich Little, Dan Aykroyd, Martin Short, John Candy, Dave Thomas, Leslie Nielsen (post-*Airplane!*), Mike Myers, Catherine O'Hara, Ivan Reitman, Lorne Michaels, Eugene Levy, Rick Moranis, Norm MacDonald, the Kids in the Hall, Jim Carrey. All Canadian, all top-notch comedians. Fox then poses the question: "What makes Canadians so funny? Would these people all have the same sense of humour if they were, uh, Latvian?" His quip gets the evening's first laugh from the audience of 1,000 New Yorkers and Canadian expatriates, including journalists Robert MacNeil and Morley Safer. The mere thought that a country as reputedly mild and retiring as Canada might harbour a talent for the rebellious art of comedy sends the New York City crowd into hysterics.

The gathering, assembled last week in the Upper East Side's trendy 92nd Street Y, was hoping for insights as well as laughs. They had paid $18 a ticket to hear, along with Fox, *Saturday Night Live* creator Michaels, comedian and actor Short and *SCTV* icon Levy ruminate on the Canadian comedy phenomenon. Had the panel discussion—dubbed "Why Are Canadians So Funny?"—occurred in Vancouver, for instance, it would have sold out, but raised little surprise. After all, homegrown comedians have long been a source of national pride. But in the United States, comics such as Short and Fox are famous for being funny, not for being funny *Canadians*. So organizers were surprised when the evening, produced in conjunction with the Canadian Consulate, sold out in less than a week and attracted 30 newspaper reporters, seven television crews and a handful of radio journalists. "We've never seen anything like it," said one organizer.

Neither had the audience. "I don't think Americans give Canada a lot of thought," says Kendra Moyer, a 31-year-old arts administration student at Columbia University. "I'm surprised Canada produces so many big comedians. It doesn't seem like an in-your-face culture." It was this contradiction the audience wanted explained. To many Americans, Canada is a nice, cold, polite, rustic place, epitomized by Bob and Doug Mckenzie, the happy hosers created by *SCTV*'s Moranis and Thomas. Americans want life, liberty and the pursuit of happiness. Canadians seek peace, order and good government. How could such a culture produce a frenetic comedian like Jim Carrey, whose signature gag in *Ace Ventura: Pet Detective* was pretending to make his backside speak?

One factor, according to the four funnymen, is Canada's remoteness from the Hollywood mindset. "Nobody's paying attention," says Fox. Canada is, thanks to the relative obscurity of its entertainment business, a place to experiment and hone your craft, explains Michaels. Canadian comics often have years of experience under their belts once they decide to cross the border. They arrive as unique commodities—seasoned newcomers.

Canadians leave because they feel they need the stamp of American approval in order to be taken seriously in Canada. Michaels worked at the CBC in the 1960s, producing and co-starring in *The Hart and Lorne Terrific Hour*. "I told the then-head of light entertainment at the CBC that I wanted to stay but that I had offers from America," Michaels told *Maclean's* during an interview in his NBC office held after the panel discussion. "He told me, 'If you're that good, why are you here?' "

To Short, heading south is a matter of plain economics. "The money makes a drain to America. You have to come here." The Dumbells, a First World War serviceman's troupe, were the first Canadians to score in the United States. In 1919, their music-hall show *Biff Bing Bang* was a hit on Broadway. In the 1950s, Johnny Wayne and Frank Shuster succeeded both on the CBC and on CBS. The largest wave of Canadian comedians stormed the United States in the 1970s and 1980s. Michaels's *Saturday Night Live*, the longest running and most highly rated late-night comedy show, revolutionized the way North Americans watched television. It also made stars of Aykroyd and later Myers. *SCTV*, a show born on Canada's Global Television and transferred to NBC, introduced American viewers to Candy, Short, O'Hara and a host of other Canuck comedians.

Curiously, British and Australian comedians do not experience the widespread acceptance of their Canadian counterparts. The panelists agree that Canada's exposure



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SHOW BUSINESS

to American pop-culture and politics, first through the movies and radio, and later, television, gives its comedians an advantage. As Short points out, Americans watch television. Canadians watch *American* television. Adds Michaels: "I first realized the difference between Canada and America by watching American television. Canadian culture in the '50s and '60s had a markedly English accent. We were influenced by Monty Python. In Canada you got Canadian, English and American comedy." Canadians ingested American cultural icons, such as *Leave It to Beaver* (which SCTV later savaged), but felt removed from the American experience. This distance bred satire. The comedians most famous for lampooning Richard Nixon were Canadians. Little and Aykroyd *Saturday Night Live* brought political satire, which U.S. TV execs viewed as a ratings killer, to network television. "As a Canadian, I felt I had a God given right to f— with American politics," says Michaels. "The network people just looked at the ratings, which were high, and said 'OK.' "

When Canadians did tune in to their own broadcasts, they were met with uniquely Canadian absurdities. Short, for instance, gave the New York crowd a brief lesson on the CFL: "It had eight teams, two of which were named Rough Riders. So, you could watch the news and hear 'Rough Riders 28 [pause] Roughriders 7.' "

All four comedians feel an affection for Canada that is tinged with a sense of alienation. The Canadian love of rules and politeness, they observe, made comedy a socially risky venture. "I was considered strange," says Fox. "Then I came down here and was rewarded for doing the things I was ridiculed for at home. I thought, 'I do it here and they give me money.' " Michaels agrees, adding: "Canada is a country where celebrating is considered showing off. In Canada, it's called flag-waving. In America, it's called patriotism. If *It's a Wonderful Life* was made by a Canadian, it would be called *It's an All Right Life*."

The situation is changing. There is now room for comedians on Canadian television. The CBC boasts *The Royal Canadian Air Farce* and *This Hour Has 22 Minutes*. *Newsroom* director Ken Finkleman has established himself as a top-flight comedy series producer. The Comedy Network launched *Open Mike with Mike Bullard*, the country's first successful late-night talk show. Still, the "drain" south continues, motivated, at least in part, by a desire to steal some of the spotlight that shines on the colossus next door. "I remember as a kid really taking it personally when an American announcer mispronounced 'Ottawa,' " adds Short. "He called it 'Oh-ta-wa.' " Such American gaffes will continue. Canada remains famous for hockey, snow and maple syrup. It can now add comedy to that list. □

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Fighting words

A merger approval sparks a nationalist uproar

David Kent is in a combative mood. Seated at the desk in his book-lined corner office, the 48-year-old president of Random House Canada, a Toronto-based publisher, is taking calls and returning messages from business associates and journalists. Kent, a transplanted American who became a Canadian citizen in 1987, had just landed in the middle of a nationalist uproar over the federal government's approval of a corporate merger that would see Random House absorb rival publisher Doubleday Canada. The callers are particularly interested in his thoughts on the latest salvo from the nationalist camp—a potential lawsuit against Investment Canada on the grounds that it failed to conduct a proper review of the transaction. "The government visited our offices, scrutinized us, looked at all our records and called us exemplary corporate citizens," Kent fumes. "And they say this is bad for Canada."

That is what they are saying, they being the Association of Canadian Publishers and its president, Jack Stoddart, owner of Toronto-based Stoddart Publishing Co., and the 1,200-member Writers Union of Canada and its chairman, Peter McFarlane, who happens to be a Random House author. According to the writers, the merger will mean one less publishing house operating in Canada—an assertion that Random House and Doubleday dispute—and fewer opportunities for Canadian authors to reach the readers of this country. According to Stoddart, the deal will create a behemoth that controls 40 per cent of the retail market—Random House and Doubleday say the figure is about 18 per cent—and put smaller publishers like himself at a competitive disadvantage. "If you build a company and it reaches that size, that's one thing," says Stoddart. "But to do it through acquisitions is horrendous."

The controversy over the Canadian merger is part of the fallout from an international megadeal last spring that shook the U.S. book-publishing industry. In March, the German-based media conglomerate Bertelsmann AG, whose holdings include 40 book publishers worldwide, several European television networks and three major record labels, acquired New York City-based Random House Inc. for a reported $2 billion. Bertelsmann already owned the U.S. publisher Bantam Doubleday Dell and announced plans to merge it with Random House in both Canada and the United States.

That led to a review by Investment Canada under a federal policy designed to ensure that book publishing remains a viable domestic industry. Kent says he supplied confidential financial data about revenues and profits, along with figures on royalties paid to Canadian authors, purchases from Canadian suppliers, and contributions to arts organizations and literary events. "We showed them everything," he says.

But Stoddart contends that Investment Canada slipped up on the Doubleday end of the review, and opened the door for a lawsuit. The majority owner of Doubleday Canada, on paper at least, is Winnipeg businessman Abraham Simkin, who has held most of the Doubleday shares since selling one of his companies to Bertelsmann in the early 1980s. Stoddart says that because Doubleday is technically Canadian-owned, Investment Canada was obliged under its own takeovers policy to seek a domestic buyer before approving the merger with a foreign publisher. "Now, Bertelsmann says it always controlled the company even though somebody else is the majority owner, and Investment Canada falls into line," says Stoddart. "We object most strenuously."

But for all the heated words, readers and writers will likely see little, if any, short-term change in the publishing landscape. Kent, as well as senior Doubleday executives, say both houses will continue to operate independently and issue their own titles. As well, they promised the government to increase the scope of their Canadian output and to maintain employment levels. Doubleday editor-in-chief John Pearce adds that he has signed contracts with authors for books due as late as 2004.

For his part, Kent is incensed at what he sees as churlish and misguided attacks by nationalist publishers and writers. He joined Random House in 1991, hired top-notch edi-

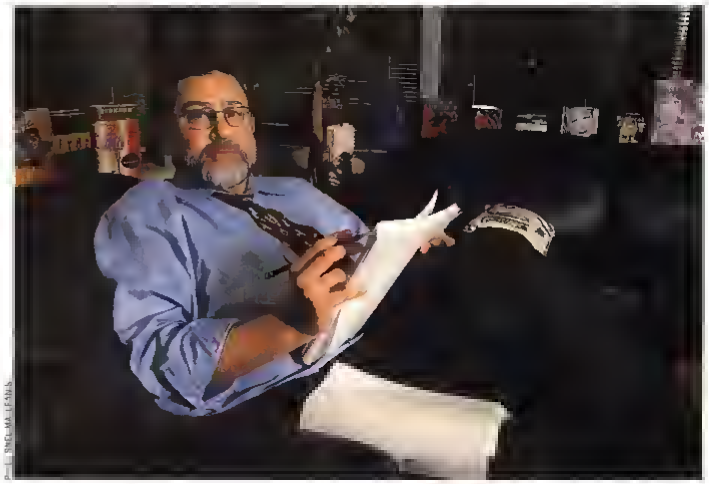


Photo: RING-MATTHEWS

Random House's Kent: incensed at what he sees as churlish and misguided attacks by writers

tors like Louise Dennys, and decided to create a first-class Canadian publishing program. He suggests critics judge Random House by the results, which include Carol Shields's Pulitzer Prize-winning novel *The Stone Diaries*, and acclaimed first novels by Ann-Marie MacDonald (*Fall on Your Knees*) and Gail Anderson-Dargatz (*The Cure for Death by Lightning*) that were international best-sellers. "We consider ourselves Canadian publishers," says Kent. "We work in Canada. We publish Canadian authors. I don't think the overriding criterion is who has the mortgage on the building." But for Canadian nationalists, home ownership *does* matter.

D'ARCY JENISH

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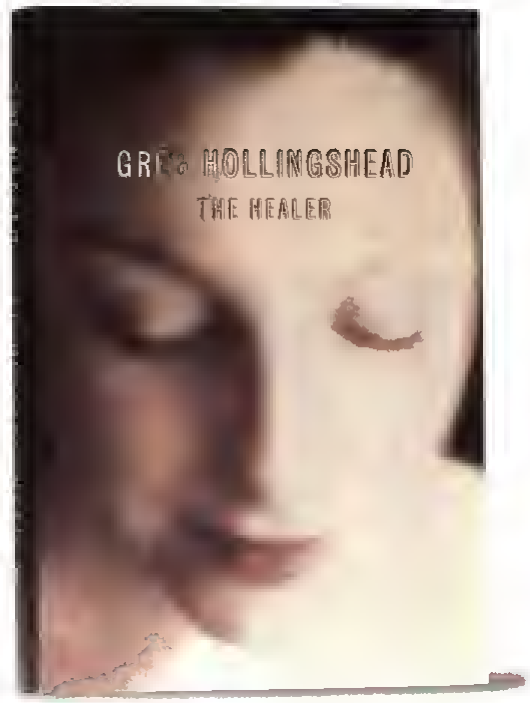
Who will stay clean?

Steven Craig, a 27-year-old ex-convict, tells his parole officer he "needs anger management courses." A few weeks later, Craig commits Toronto's 21st homicide of 1997, handcuffing, punching, strangling and finally drowning his transvestite lover. "He was doing everything right," Craig's parole officer Brian Welsh says. "I just didn't know how badly he needed anger management." Nobody knows. That's the overriding message of *High Risk Offender*, a one-hour documentary that will be broadcast on Feb. 3 on TVOntario's series *The View From Here*, and later in four other provinces. Toronto director Barry Greenwald and his crew followed Craig and six other Toronto parolees for 10 months. The result is a piece that adroitly examines the system designed to cushion a convict's return to law-abiding citizenship. Trouble is, *return* implies that a person was once law-abiding. Many of *High Risk Offender*'s parolees are career felons. They started early, and have no skills, not even personal ones.

Greenwald's subjects are a varied lot: ex-hockey players with cocaine addictions, smooth-talking art fraud con men, and remorseful drug addicts. Many lie pathologically. Drug test failures, for example, are attributed to far-fetched causes, including "someone put cocaine on my pizza." Morality is inverted. Scott Burns, a petty thug, lists "seeing an old man squirm" as an "interesting" aspect of his dubious job as a debt collector. His therapist replies, "So an interesting thing to you is that you might enjoy seeing someone afraid."

These counsellors and therapists provide the law-abiding yin to their clients' criminal yang. They employ a cynical suspicion tempered with optimism that offenders can be taught to live free from crime. During the course of 1997, the parole unit chronicled by Greenwald processed 191 cases. Each one had the potential to break the criminal cycle. Ultimately, *High Risk Offender* demonstrates that it is impossible to determine what makes one person a recidivist and another stay clean. "Don't rob a bank please, Barry," Welsh tells Barry Proctor, a man who spent 28 years in jail for 17 different convictions. "They'll bury you so deep you'll have your own postal code." So far, Proctor has taken Welsh's advice.

ANDREW CLARK



As for os contests go, this one hod more thon its shore of fine print.

Congratulations to Greg Hollingshead for *The Healer*, winner of the 1998 Rogers Communications Writers' Trust Prize for Fiction. Congratulations also to the nominees: André Alexis, for *Childhood*, Barbara Gowdy for *The White Bone*, Wayne Johnston for *The Colony of Unrequited Dreams* and Alice Munro for *The Love of a Good Woman*.

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Allan Fotheringham

How a sensitive poet met a $4,000 raccoon

First, the disclaimer. The scribbler was born in Hearne. Hearne is in Saskatchewan. In Saskatchewan they have winter. Snow. Ice. All that. But this is Toronto.

Scribbler wakens with headache. Scribbler never has headaches. Lady of House smells something funny. Scribbler agrees, something funny in air. Lady of House phones brother. Brother knows about things. Sez sounds like gas leak. Find the vent outside house. Open all doors and windows, he sez, as safety measure.

Lady of House, as always, does the heavy lifting. Goes outside with shovel. Starts shovelling in search of vent. Location of vent unknown. Scribbler, a sensitive poet, goes upstairs to computer. On deadline as usual. Possibly behind deadline. As usual.



Neighbourhood children, demon shovellers, join hunt for mystery vent. Four feet of snow. Brother thinks may be carbon monoxide leak from gas furnace. Sensitive poet keeps hammering away at laptop computer. Carbon monoxide one thing. Editors are another.

Neighbour comes by. Wonders why Lady of House trying to dig to China. Lady of House explains sensitive poet upstairs. Can't be disturbed. On deadline. Neighbour is architect. Knows something about houses. Comes in. Sniffs. Orders Lady of House to call 911 immediately. Sensitive poet upstairs remains aloof from fray.

Three minutes go by. Sirens sound. Huge fire truck, size of Prince Edward Island, pulls up. Inhalator truck. Fire captain's truck. A fourth truck. Fifteen firemen emerge. Sensitive poet types on.

Fire captain tells Lady of House worst mistake was to open doors and windows. Must contain gas. Thinks dead raccoon in chimney vent to blame. Raccoon, like Toronto's mayor, probably seeking warm place to sleep. Or hide. Sensitive poet doesn't understand. Doesn't want to. Carbon monoxide? Carbon dioxide? Sensitive poet never did pass Grade 9 chemistry.

Very impressed with firemen. Polite. Disciplined. Try to tell fire captain a joke. Rookie firemen silent. Squad leader silent. Fire captain laughs. Squad leader laughs. Rookies laugh. Sensitive poet thinks paying taxes OK after all.

Next squad arrives. With Geiger counter to check gas. Geiger counter needle goes nuts. Fire captain orders everybody out of house immediately. Sensitive poet races upstairs. Fire captain yells. But got to get laptop. More scared of editors than gas.

House evacuated. Retreat to fire captain's truck. Sit there typing. Show must go on. Feel like ingenue backstage at Broadway on opening night, leading lady being sick. If only cruel editors knew what was going on.

Gas company arrives. Shuts down furnace. Chimney people on way. In search of alleged raccoon. Or Mel Lastman. Whichever comes first. House freezing. Must search for hotel. Firemen wipe up floor before they leave. Lady of House loves them, every single one. Sensitive poet jealous, considers changing professions. Concludes wouldn't work.

Neither sensitive poet nor Lady of House smoke. Fire captain sez if either had lit up, or started fireplace, four houses would have gone to moon. Wonder if neighbours appreciate us.

By now 3 p.m. Sensitive poet and Lady of House, starving, repair to neighbourhood pub for sandwich. Immediately become heroes to the locals since they greatly amused at traffic chaos caused by four fire trucks. Which is why they can't get home. So flee to pub. The alleged raccoon in chimney becomes instant icon. Some think he looks like Mel Lastman.

House now secure, but freezing. Power shut off. Lady of House and sensitive poet return to pick up shaving kit on way to hotel. Lady of House hears waterfall. In basement. Rush down. It's flooded. God damn raccoon strikes again.

Flood rising rapidly to adjoining room where sensitive poet, wisely, has stored his entire literary output since 1908 in scrapbooks in mouldy cardboard boxes. Did Hemingway do this? Poet and Lady of House risk hernias in mad marathon to lift everything to kitchen. Feel exactly like farmers in Red River flood rescuing their pigs from rising waters.

Basement alien territory to sensitive poet. Never been there before, as one recalls. Like never having been to Siberia. Lady of House, she of the heavy lifting, knows that. Talk to chimney/gas people. They, too, astounded. House is 100 years old. Furnace, they claim, must be 200 years old. Looks like designed by Rube Goldberg. And possibly retrieved from Titanic.

Gas furnace must be replaced. Chimney wrecked. Must be repaired at great cost. It now a $4,000 raccoon. The lads in the pub would love it.

Sensitive poet and Lady of House finally find hotel in a city where army and P.E.I. snowblowers have been recruited, after most interesting day of 1999. Stagger in. Fall into bed.

At 5 a.m. hotel fire alarm goes off. Triggered by the usual weekend drunk. Sirens sound. Fire trucks roar up. Lady of House phones the insurance company.





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